Electricity Generation Licence: Special Conditions for Long Duration Electricity Storage Facilities Subject to The Cap and Floor Regime

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Special Condition 1 Definitions and Interpretation

Part A Interpretation

1 Capitalised terms used in the Special Conditions have the meaning given to them in Part B (Definitions) of this Special Condition 1 (Definitions and Interpretation) or, if applicable, in a relevant Special Condition.

2 Words and expressions used in these Special Conditions that are not defined in Part B (Definitions) or in a relevant Special Condition, but are otherwise defined in the Standard Conditions of the Electricity Generation Licence (the "Standard Conditions"), have the same meaning in the Special Conditions as given to them in the Standard Conditions.

3 Any reference in these Special Conditions to a provision of:

a) these Special Conditions;

b) the Standard Conditions; or

c) the Facility Specific Parameters Register,

must, if these come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision as modified. In the event of any conflict between the Standard Conditions of this licence and these Special Conditions, these Special Conditions will prevail.

4 Variable values used in calculations contemplated by these Special Conditions may be derived from input data provided by the licensee. Where possible, values provided by the licensee should reflect actual values but, where actual data is not available at the time of submission, the licensee should provide a provisional value based on its best estimates at the time and flag that such data is provisional.

5 Any values provided on a provisional basis must be updated by the licensee in each Relevant Year until an accurate value has been substituted, with any updates reflecting the most accurate forecast available at that time. Such updates will be reflected in the calculations for that Relevant Year in accordance with the true-up process set out in this licence.

6 Where any value is provided on a provisional basis, the Authority may direct that any determination or settlement that relied on that value be restated, adjusted or reopened if the Authority is satisfied that the provisional value was materially inaccurate, insufficiently evidenced, or not prepared on a prudent and unbiased basis.

7 Where actual data is unavailable, provisional values must be prepared on a prudent basis that does not increase the expected Cap Level, Floor Level, or any consumer support to the licensee relative to the most likely outturn.

8 Where the subscript 't' is used without further numerical notation, the value to be used is for the Relevant Year in which the relevant calculation is to be applied, unless otherwise stated. A positive or negative numerical notation indicates that the value to be used is for a year after or before that Relevant $Year_t$, and the number indicates how many years after or before.

9 Where the subscript 'ap' is used without further numerical notation, the value to be used is for the Relevant Assessment Period over which the relevant calculation is to be applied, unless otherwise stated. A positive or negative numerical notation indicates that the value to be used is for the

period after or before that Relevant Assessment Period, and the number indicates how many such periods after or before.

10 In some cases, other subscripts may also be used to denote the value for a specific Relevant Year or to denote some other value, and are noted in those conditions.

11 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee will be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest, after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid. Unless otherwise specified in the RIGs or directed by the Authority, all values under these Special Conditions are stated net of VAT and other recoverable indirect taxes, and no direct tax on profits (including corporation tax) shall be treated as GR_t, MRC_t or NCC_t or deducted in determining AR_t.

12 Where any value used under these Special Conditions is derived from revenues or costs "accrued, received or paid", it must be determined and reported so that each underlying transaction is included once only. The default basis is accrual. The value is the amount recognised, in respect of the Relevant Year, in accordance with the Applicable Accounting Framework and in accordance with any applicable requirements in the RIGs and any Authority direction (including as to classification, timing, allocation, evidence standards and the treatment of any tax or similar charge). Where, at the time of submission, an item cannot reasonably be measured on that accrual basis, the licensee may use a provisional proxy value based on settlement data, invoice data or contract schedules, or (where those are not reasonably available) the actual amount received or paid, in each case in accordance with the RIGs. Where a provisional proxy value is used, the licensee must true up by replacing the proxy with the accrual amount as soon as practicable and in the manner specified in the RIGs or as directed by the Authority. For the avoidance of doubt, where an item is first included using a proxy value, any later accrual, receipt or payment relating to the same item must be excluded or netted off so that the item is not counted more than once. Nothing in this paragraph determines whether any item is to be reported gross or net of any tax; that treatment is as specified in the RIGs and/or determined or directed by the Authority, and (where relevant) reflected through the LDES Cap and Floor Financial Model and Handbook.

13 For the purposes of these Special Conditions, where Gross Revenue, Market Related Costs, Non Controllable Operational Costs or any component thereof can reasonably be attributed to a particular settlement period, delivery period, or service period, it must be allocated to the Relevant Year that contains that period, regardless of the timing of invoicing, payment, cash settlement, or accounting recognition, unless the RIGs specify otherwise or the Authority directs otherwise. Where the Authority considers that any item has been allocated in a manner that does not reflect the underlying settlement, delivery or service period, the Authority may direct reallocation of that item (in whole or in part) between Relevant Years and require any consequential restatement and settlement under Special Condition 6 (Adjustments to licensee revenue).

14 Where a Relevant Year is a Partial Year, any annualised level term calculated under these Special Conditions is to be pro rated on a daily basis, unless these Special Conditions provide a specific adjustment method for that term (including PYC_t and PYF_t in Special Condition 3 (Cap Level and Floor Level)). For the avoidance of doubt, Assessed Revenue and any component based on amounts accrued, received or paid is not to be pro rated.

15 Unless otherwise stated, any reference in these Special Conditions to the Authority giving a direction, consent, derogation, approval or designation includes:

a) giving it to such extent, for such a period of time, and subject to such conditions as the Authority considers reasonable in all the circumstances of the case; and

b) revoking or amending it after consulting the licensee.

16 Unless otherwise stated, any reference in these Special Conditions to the Authority making a determination includes making it subject to such conditions as the Authority considers reasonable in all the circumstances of the case.

17 Unless otherwise stated a reference to a "contractor" includes a consultant and includes contractors of any tier.

18 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.

19 Special Condition headings, sub-headings and the introductory text are for ease of reference only and without prejudice to the actual provisions of each Special Condition. In the event of any conflict or inconsistency between the provisions of the Special Conditions and any headings or sub-headings, the provisions of the Special Conditions will prevail.

20 Unless otherwise stated in the licence, the licensee must provide any information requested by the Authority as soon as reasonably practicable, or as may otherwise be specified by the Authority in its notice requesting the information.

21 The time periods for the Authority to take any action, issue any notification, or make any determination under or pursuant to these Special Conditions will be suspended during any period when a request by the Authority for information from the licensee is outstanding.

22 Use of the word "including" means including without limitation, and "include" will be construed accordingly.

23 The expression "holding company" shall have the meaning ascribed to it by section 1159 of the Companies Act 2006 and the expressions "parent undertaking" and "subsidiary undertaking" shall have the meanings respectively ascribed to them by section 1162 of the Companies Act 2006.

24 Use of the singular includes the plural and vice versa.

25 A reference to a person includes a body corporate.

26 Words denoting any gender includes any other gender.

27 Except insofar as it would conflict with anything stated in this Special Condition 1 Part A (Interpretation), the provisions of these Special Conditions are to be read and understood as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them.

28 Save where these Special Conditions state otherwise, Regime Documents may be used as an aid to understanding and administration but they do not amend this licence. If there is conflict, this licence prevails.

29 Unless expressly stated otherwise, each amount discounted using UF_t is treated as arising on the last day of Relevant $Year_t$. Time value of money in respect of any correction, restatement, reconciliation or reallocation of a previously determined or settled amount shall be applied only in accordance with Special Condition 6 (Adjustments to licensee revenue) using ATR, and no time value adjustment shall duplicate any period already reflected in UF_t.

30 For the purposes of Special Condition 4 (Assessed Revenue and Revenue Netting) Part C (Market Related Costs and Optimiser Fees), where the Optimiser Contract applies for only part of Relevant $Year_t$, ORB_t (as defined in Special Condition 1(Definitions and Interpretation)) must be calculated only for the part of the year to which that Optimiser Contract applies. Where there is more than one Optimiser Contract in Relevant $Year_t$, ORB_t must be calculated separately for each contract and then summed for the purposes of applying the cap. Where the Optimiser Contract covers only certain markets or revenue streams, "the total of revenue subject to the agreement" means the

gross revenues from those markets or streams, determined from settlement data and allocated in accordance with the Optimiser Contract or, where that is not practicable, in accordance with a reasonable allocation method specified in the RIGs or directed by the Authority.

31 The Licensee must ensure that no amount, instrument or arrangement is structured or classified in a manner that has the purpose or effect of circumventing the operation of these Special Conditions. Classifications as Indebtedness, Senior Debt, Shareholder Debt or Equity must be determined in accordance with the Applicable Accounting Framework and must reflect the substance and economic effect of the instrument.

32 Where these Special Conditions specify a period within which the Authority may or must take an action, give a notice or make a determination, the Authority may, by written notice to the Licensee before the end of that period, set a later date. The notice must state the revised date and the reason for setting it. This paragraph does not apply to any provision that states a minimum period for consultation, representations, or notice (including any period expressed as "not less than", "at least", or equivalent wording), or to the extent that a later date would be inconsistent with any Legal Requirement.

33 Unless the Authority directs otherwise, any balance carried forward from one Relevant Year to a later Relevant Year under these Special Conditions shall be maintained on a net present value neutral basis in accordance with the RIGs until repaid, settled or irrevocably netted.

34 In these Special Conditions:

a) min(a, b) means the lesser of a and b;

b) max(a, b) means the greater of a and b; and

c) where min or max is used with more than two inputs, it means the least or greatest of all inputs, as applicable.

Part B Definitions

35 In these Special Conditions, unless the context otherwise requires, defined terms have the meanings given to them below:

Defined Term	Definition
"ACOD Approach"	means the approach under which the Floor Level is the ACOD Floor Level and is calculated using the ACOD Floor Parameters, as determined at Financial Close and approved by the Authority in accordance with Schedule A (ACOD Floor Level Schedule). The ACOD Approach applies where the FSPR records that it applies to the Relevant LDES Facility.
"ACOD Consumer Clawback"	means the mechanism under which each $Support_t$ is: (a) identified for each Relevant $Year_t$ and recorded in the ACOD Differential account under Special Condition 4 (Assessed Revenue and Revenue Netting) Part F (ACOD Approach and Differential Tracking); and (b) repaid by the licensee to the ESO from Surplus Assessed Revenue in accordance with Special Condition 6 (Adjustments to licensee revenue), before any Distribution or Equity Distribution referable to the Relevant LDES Facility.

Defined Term	Definition
"ACOD Differential"	means the cumulative balance maintained on a net present value neutral basis in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part F (ACOD Approach and Differential Tracking), including: (a) amounts of $Support_t$ credited to that balance; and (b) the application of the accrual factor AF_t and any repayments made under Special Condition 6 (Adjustments to licensee revenue).
"ACOD Floor Level" or "ACOD-FL_t"	means, for any Relevant Year, the Floor Level calculated under the ACOD Approach and approved by the Authority in accordance with the formula in Special Condition 3 (Cap Level and Floor Level) Part A (Calculation of the Cap Level and the Floor Levels).
"ACOD Floor Parameters"	means the set of parameters used to calculate the Floor Level under the ACOD Approach, including Actual Cost of Debt, achieved Gearing, and Debt Service Cover Ratio (DSCR) requirements and any other parameters directed by the Authority in accordance with Schedule A (ACOD Floor Level Schedule).
"Actual Cost of Debt"	means ACOD, the aggregate of the debt financing costs included in the approved ACOD Floor Parameters in accordance with Schedule A (ACOD Floor Level Schedule) Part F (ACOD Floor Parameters and Financial Close).
"Administrative Approach"	means the approach under which the Cap Level and Floor Level are set by reference to administrative financial parameters determined by the Authority.
"Administrative Floor Level" or "Admin-FL_t"	For any Relevant $Year_t$, the Floor Level calculated under the Administrative Approach in accordance with the formula in Special Condition 3 (Cap Level and Floor Level) Part A (Calculation of the Cap Level and the Floor Levels). Where Assessed Revenue for that year is below Admin-FL_t, the licensee may be eligible for $FloorSupport_t$ under Special Condition 5 (Cap and Floor Assessment), subject to the Floor Level being in force and the rules in that condition.
"Administrative Floor Parameters"	means the set of parameters used to calculate the Floor Level under the Administrative Approach.
"Administrative True Up Adjustment"	means any adjustment (positive or negative) directed or determined by the Authority to correct, restate, reconcile or reallocate any value used under these Special Conditions including where arising from replacement of provisional values with final values, audit findings, corrected market settlement data, reallocation between Relevant Years, or correction of a manifest error.
"Administrative True Up Rate"	means the nominal annual time value of money rate for the purposes of administrative true ups (corrections, restatements and reconciliations) as described in the Financial Handbook and/or the RIGs (as in force from time to time), or such other nominal annual rate as the Authority may direct. For the avoidance of doubt, ATR is used only to apply time value of money to Administrative True Up Adjustments and is not used to calculate UF_t.

Defined Term	Definition
"Admitted Optimiser Fees"	means the amount of Optimiser Fees that may be included in MRC_t, calculated in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting).
"Affiliate"	means, in relation to any person: (a) any holding company of such person; (b) any Subsidiary of such person; or (c) any Subsidiary of a holding company of such person.
"Annual Assessment"	means the Authority's annual calculation and determination under Special Condition 5 (Cap and Floor Assessment) of the Relevant LDES Facility's Cap Level, Floor Level, Assessed Revenue, and any associated adjustments for the Relevant Year.
"Annual Cap and Floor RIGs Submission"	means the submission by the licensee, on an annual basis, as specified in the Cap and Floor Regulatory Instructions and Guidance (RIGs), of information that the licensee is required to collect and provide to the Authority under Special Condition 14 (Information, Reporting and Audit) of this licence.
"Annual Settlement Amount" or "ASA_t"	means the net amount payable between the licensee and the ESO for a Relevant Year, calculated in accordance with Special Condition 6 (Adjustments to licensee revenue) Part A (Annual settlement for Relevant Years).
"Applicable Accounting Framework"	means either: (a) in respect of any reference to statutory accounts of the licensee (except for group accounts): (i) individual accounts prepared in accordance with section 396 of the Companies Act 2006; or (ii) individual accounts prepared in accordance with international accounting standards; or (b) in respect of any reference to statutory accounts of the licensee that are group accounts: (i) group accounts prepared in accordance with section 404 of the Companies Act 2006; or (ii) group accounts prepared in accordance with international accounting standards.
"Applicable Procurement Threshold"	means the threshold recorded in the FSPR for the Relevant LDES Facility.
"Application Window"	means the period specified by the Authority during which applications for the award of a cap and floor regime for LDES projects may be submitted, as set out in the Technical Decision Document or other guidance published by the Authority.
"Approved Decommissioning Costs"	means decommissioning costs that the Authority has determined, or has approved under an approved withdrawal protocol, to be economic, efficient and effective and within the allowed share for

Defined Term	Definition
	the Regime Duration for the purposes of withdrawals from the Decommissioning Fund.
"Assessed Revenue"	means, for any Relevant Year$_t$, the value determined in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part A (Calculation of Assessed Revenue).
"Assessment Period"	means the period used for cap and floor revenue assessments, as specified by the Authority, defaulting to one year unless otherwise directed under Special Condition 3 (Cap Level and Floor Level).
"Associate"	means: (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller of the licensee; (c) a Participating Owner of the licensee; or (d) a Common Control Company of the licensee;
"Attribution Methodology"	means the written methodology prepared and maintained by the licensee in accordance with Schedule C (Co-Location and Behind the Meter Generation) that sets out how the licensee identifies Co-located assets and Shared Assets and how it allocates, measures and values energy flows, revenues and costs between the Relevant LDES Facility and any Co-located asset for the purposes of calculating Gross Revenue, Market Related Costs, Non Controllable Operational Costs and Assessed Revenue. The Attribution Methodology must be consistent with Schedule C (Co-Location and Behind the Meter Generation) and is subject to confirmation or direction by the Authority in accordance with Schedule C (Co-Location and Behind the Meter Generation).
"Attribution Report"	means the report prepared by the licensee in accordance with Schedule C (Co-Location and Behind the Meter Generation) that explains how the Attribution Methodology has been applied for the relevant period, confirms compliance with Schedule C (Co-Location and Behind the Meter Generation) and any confirmed Attribution Methodology, and identifies and quantifies any deviations, errors, data limitations and proposed true-ups.
"Authority Approval"	means an approval required under Schedule A (ACOD Floor Level Schedule) and given by the Authority in writing, as set out in Schedule A (ACOD Floor Level Schedule) Part A paragraphs 8 to 10.
"Authority Model Suite"	means an Authority Model. The Authority Model Suite includes any macros, add-ins, protection settings, and reference data files that the Authority states are required for the Authority Model to function. The licensee must not disable or alter those items except as permitted by this Special Condition.
"Authority Model"	means the version of LDES CFFM1 or LDES CFFM2 (as applicable) that is published by the Authority under Special Condition 13 (Cap and Floor Financial Model Governance) and identified by a Version Identifier.
"Authority"	means the Gas and Electricity Markets Authority in its role as the economic regulator under the Electricity Act 1989.

Defined Term	Definition
"Backstop Date"	means the date by which the Relevant LDES Facility must achieve the Full Commissioning Date as recorded in the FSPR, and as may be extended by direction of the Authority under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and which is [***in respect of a Track 1 project, 31 December 2032; or in respect of a Track 2 project, 31 December 2035.]***
"Backstop Delay Charge"	means, for any Relevant $Year_t$ in which $FloorSupport_t$ is greater than zero, the amount BDC_t calculated in accordance with Special Condition 6 (Adjustments to licensee revenue) Part F (Backstop Delay Charge), being a proportion of $FloorSupport_t$ determined by reference to the Backstop Delay Factor, and which is added to the Backstop Delay Repayment Balance.
"Backstop Delay Factor" or "BDF"	means the factor determined by the Authority in accordance with Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) Part D (Treatment of delay and delivery dates) and recorded in the FSPR.
"Backstop Delay Repayment Balance"	means the cumulative balance calculated in accordance with Special Condition 6 (Adjustments to licensee revenue) Part F (Backstop Delay Charge), being the unpaid amount of Backstop Delay Charges (BDC_t) less any Backstop Delay Repayment Amounts paid or irrevocably netted.
"Balance Sheet Classification"	means a Relevant LDES Facility in respect of which the Administrative Approach is selected in accordance with the FSPR.
"Base Year Prices"	means the Base Year stated in the FSPR or such other year determined by the Authority for cost reporting, financial modelling in the Cap and Floor Financial Model, or any other purpose specified by the Authority, and as may be updated or revised by the Authority from time to time.
"Behind-the-meter Transfers"	has the meaning given to that term in Schedule C (Co-Location and Behind the Meter Generation) Part B(Definitions for this Schedule).
"Boundary Point Metering System"	has the meaning given to that term in Section X-1 (General Glossary) of the Balancing and Settlement Code and, for the purposes of these Special Conditions, this is the one or more meters that measure exports and imports at a Boundary Point.
"Boundary Point"	has the meaning given to that term in Section X-1 (General Glossary) of the Balancing and Settlement Code and, for the purposes of these Special Conditions, is the point at which net export and import are measured.
"Cap and Floor Award Decision"	means, in respect of a Relevant LDES Facility, a decision or notice issued by the Authority that confers or confirms a cap and floor arrangement and sets out the terms applicable to that arrangement, as amended from time to time in accordance with this licence. The Cap and Floor Award Decision is made on the date of the Authority's notice to the licensee or, where no such notice is given, the date of its publication.

Defined Term	Definition
"Cap Level" or "CL_t"	means the value for any Relevant Year that is determined in accordance with the formula in paragraph 5a) of Special Condition 3 (Cap Level and Floor Level) of this licence.
"Cap Only Period"	means the period beginning on the Effective Licence Date and ending immediately before the Floor Start Date.
"Capacity Market"	means the capacity market arrangements in Great Britain established under the Electricity Capacity Regulations 2014 and the Capacity Market Rules, as amended from time to time.
"Change of Control"	means a change that results in any person acquiring control of the licensee or of any holding company of the licensee, where control means the ability to direct the affairs of that entity through ownership of voting rights or the right to appoint or remove a majority of the board.
"Clawback"	means any mechanism for the recovery of floor payments from post-regime revenues, which must be time-bound and proportionate, as specified by the Authority.
"Codes"	means the industry codes and associated governance arrangements applicable to the electricity system in Great Britain, including the Grid Code, the Connection and Use of System Code (CUSC), the Balancing and Settlement Code (BSC), and any other code or agreement designated by the Authority as a code for the purposes of this licence, as each may be amended, extended, or replaced from time to time.
"Competent Authority"	means any person or body that has power to make, administer, interpret, enforce, or require compliance with any Legal Requirements or this licence in relation to the licensee, the Relevant LDES Facility or the Regulated Business. It includes any government, minister, department, regulator, authority, agency, court or tribunal. It includes the Authority.
"Compliance Statement"	means a statement that describes the practices, procedures and systems that the licensee has put in place, or will put in place, to ensure compliance with Special Condition 16 (Financial Safeguards).
"Conditional Floor Accrual Balance"	means the cumulative balance $CFAcBalance_t$ calculated for each Relevant Year under Special Condition 5 (Cap and Floor Assessment) Special Condition 5Part B (Conditional Floor Accrual and Low Availability Treatment)
"Conditional Floor Accrual Applied Amounts"	means $CFAcApplied_t$ as determined for each Relevant Year under Special Condition 6 (Adjustments to licensee revenue).
"Conditional Floor Accrual"	means $CFAc_t$ as determined for a Relevant Year under Special Condition 5 (Cap and Floor Assessment) Part B (Conditional Floor Accrual and Low Availability Treatment).
"Construction Longstop Event"	means the failure of the licensee to achieve the Full Commissioning Date for the Relevant LDES Facility on or before the Longstop Date recorded for that Facility in the FSPR, as may be

Defined Term	Definition
	extended by direction of the Authority in accordance with this licence, and which failure is continuing.
"Cost Overrun"	means any increase in project costs above the P50 or P90 project cost scenarios, whether or not caused by Force Majeure, as further detailed in Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90).
"CPIH"	means: (a) all items index of consumer price inflation including owner occupiers' housing costs published each month by the Office for National Statistics; (b) if that index is no longer being published, such index as the Authority may reasonably determine to be appropriate in the circumstances; or (c) if there is a material change to the basis of that index, such other index as the Authority may from time to time reasonably determine to be appropriate in the circumstances.
"Data Best Practice Guidance"	means the document titled Data Best Practice Guidance published by the Authority, as amended or replaced from time to time.
"Debt Funding Competition Plan" or "DFC Plan"	means the plan the licensee must submit for Authority Approval in accordance with Schedule A (ACOD Floor Level Schedule) Part C.
"Debt Service Cover Ratio (DSCR)"	means the ratio of the Relevant LDES Facility ACOD Floor Level available for debt service to the scheduled payments of principal, interest, and fees due to Senior Lenders, as achieved at Financial Close through a competitive process under the Authority's oversight.
"Debt Service"	means scheduled payments of principal, interest and fees due to senior lenders.
"Debt"	means the aggregate principal amount of Indebtedness of the licensee that is attributable to the Relevant LDES Facility, including Senior Debt, Shareholder Debt, any other subordinated, mezzanine or junior debt, and any other obligation that constitutes Indebtedness, in each case as determined in accordance with the Applicable Accounting Framework and the FSPR.
"Decommissioning Change in Law"	means any change in law, regulation, licence requirement, binding code, or mandatory standard that: (a) occurs after the Effective Licence Date; (b) directly changes the scope, standard, timing or method of decommissioning obligations for the Relevant LDES Facility or its site, and could not reasonably have been foreseen at the Effective Licence Date, having regard to law then in force and any formally announced and consulted changes at that time. For the avoidance of doubt, a Decommissioning Change in Law may occur before Post Construction Review and is assessed against the

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	decommissioning assumptions recorded in the FSPR at the time of the change.
"Decommissioning Cost Adjustment at Cap" or "DCC_t"	means the adjustment value for Relevant $Year_t$ directed by the Authority under Special Condition 23 (Decommissioning)) Part C (Decommissioning Change in Law adjustments) and recorded in the FSPR for use in the Cap Level formula.
"Decommissioning Cost Adjustment at Floor" or "DCF_t"	means the adjustment value for Relevant $Year_t$ directed by the Authority under Special Condition 23 (Decommissioning) Part C (Decommissioning Change in Law adjustments) and recorded in the FSPR for use in the applicable Floor Level formula.
"Decommissioning Fund Profile"	means the profile of required contributions by Relevant Year approved or directed by the Authority under Special Condition 23 (Decommissioning) Part B (Decommissioning Fund and Financial Safeguards) and recorded in the FSPR.
"Decommissioning Fund"	means the segregated, ring fenced arrangement required under Special Condition 23 (Decommissioning) Part B (Decommissioning Fund and Financial Safeguards) that holds assets dedicated to meeting the allowed share of decommissioning costs for the Regime Duration, and that is subject to the restrictions in that Special Condition.
"Decommissioning Plan"	means the plan required under Special Condition 23 (Decommissioning) Part A (Decommissioning Plan), including any update, that sets out scope, timing, cost estimate in the Base Year, allocation between Regime Duration and any post regime period, and the proposed funding profile.
"Delay Event"	means any event or circumstance that causes or is reasonably likely to cause a delay to achieving Full Commissioning Date by the Target Delivery Date.
"Delay Notice"	means the notice given by the licensee to the Authority under Special Condition 26 (Obligation to achieve the Full Commissioning Date) in respect of a failure, or a reasonably likely failure, to achieve Full Commissioning Date by the Target Delivery Date.
"Delivery Plan"	means, in respect of a Relevant LDES Facility, a plan for the development, financing, construction, testing and commissioning of the facility up to the Full Commissioning Date, and its subsequent commercial operation, including key milestones. Key milestones may include (without limitation) progress in securing connections and financing, the taking of a final investment decision, construction progress, testing and commissioning, and commercial operation. The Delivery Plan shall be as set out in, or required by, the Cap and Floor Award Decision and shall be approved by the Authority and updated from time to time in accordance with this licence.
"Disposal"	means any sale, transfer, assignment, novation, lease, licence, grant of rights, declaration of trust, or other disposition, whether

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	legal or beneficial, direct or indirect, and whether for value or not, including a series of related transactions with similar effect.
"Distribution" or "Equity Distribution"	means: (a) any dividend or other distribution (whether in cash or in kind) declared, made or paid by the licensee in respect of any share capital of the licensee; (b) any return of capital, redemption, repurchase or other acquisition by the licensee of any of its shares or other equity interests; (c) any payment by the licensee of principal or interest on, or any repayment, redemption, repurchase or other discharge of, any Shareholder Debt; (d) any payment by the licensee to, or for the benefit of, any shareholder, Affiliate, Associate or other Related Undertaking that is, in the opinion of the Authority, economically equivalent to a distribution of profit or return of capital, including any management fee, advisory fee, service fee or similar charge to the extent it exceeds an amount that would be payable on arm's length terms for equivalent services; and (e) any other payment or transfer of value which the Authority directs is to be treated as a Distribution for the purposes of these Special Conditions. For the avoidance of doubt, a Distribution includes any payment described in paragraphs (a) to (e) whether made directly or indirectly, and whether made under a single transaction or a series of related transactions.
"Effective Licence Date"	means the date on which these Special Conditions come into effect.
"Effective Usable Energy Capacity"	means the total amount of energy (in MWh) that the Relevant LDES Facility can deliver when discharged from 100% down to 0% of its usable range (i.e. from the Upper Charge Limit to the Lower Charge Limit) under Reference Conditions. This is the usable energy storage capacity of the asset in practice, accounting for any limitations in depth-of-discharge and inefficiencies. The "Effective Usable Energy Capacity" is verified during the Endurance Test by measuring the energy output delivered between a full charge and a full discharge and the FSPR is updated with the relevant outturn figure.
"Electricity Storage" and "Electricity Storage Facility"	have the meanings set out in the Electricity Generation Standard Licence Conditions.
"Endurance Test"	means a test of the Relevant LDES Facility conducted in accordance with Schedule B (Performance Test Protocol), designed to demonstrate the Facility's ability to discharge at its Rated Export Capacity continuously for the Minimum Duration specified by the Authority.

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"Equity"	means, for the purposes of calculating Gearing, the sum of: (a) issued share capital of the licensee (excluding any preference shares that are, in substance, debt); and (b) share premium, retained earnings and any other reserves that the Authority directs are to be treated as equity, in each case to the extent they are attributable to the Relevant LDES Facility and recorded in the FSPR.
"Equivalent Availability Calculation" or "EAC"	means, for Relevant Year$_t$, EAC$_t$ calculated in accordance with Special Condition 12 (Technical Capability, Availability and Floor Eligibility) Part C (Equivalent Availability Calculation and energy based cross check) as the ratio of the time weighted Available Capacity to Reference Capacity over the assessment period, using applicable Industry Documents.
"ESO"	means National Energy System Operator Limited, or its successor, or any other person who is authorised by a licence granted under the Electricity Act 1989 to perform the role of electricity system operator.
"Exceptional Event"	means an event or circumstance: (a) that results in or causes the actual availability of the licensee's LDES Facility to fall below the Minimum Availability Target in any Relevant Year; and (b) that, in the Authority's opinion: (i) is not attributable to the actions or fault of the licensee; (ii) has been appropriately mitigated and managed by the licensee, including responding to the event in line with Good Industry Practice; and (iii) the Authority is satisfied that the licensee has met the requirements of Part A (Technical capability obligations) of Special Condition 12 (Technical Capability, Availability and Floor Eligibility) of this licence.
"Excluded Costs"	means any costs, charges, liabilities, losses or expenditure, and any analogous revenue offsets, that: (a) are a Distribution or Equity Distribution; (b) are recoverable, or would have been recoverable, under any insurance maintained by the licensee, where the licensee has not used reasonable endeavours to make a successful claim; (c) arise from, or are increased by, fraud, misconduct, negligence, or a material breach of this licence by the licensee, or by any contractor or agent of the licensee;

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	(d) are not properly evidenced by the licensee's accounts, records, invoices, certificates, or other documentation reasonably required by the Authority; (e) are fines, penalties, liquidated damages, or other financial remedies payable under any law, regulation, Code, or contract, except to the extent the Authority has approved a specific settlement in writing before it is entered into; (f) are paid to an Associate other than: (i) pursuant to a written contract on arm's length terms; and (ii) supported by evidence of value for money and compliance with any procurement requirements in this licence and the FSPR; (g) relate to activities, assets, or business of the licensee that are not attributable to the Relevant LDES Facility; (h) are incurred in connection with any action that is not permitted under this licence, or which this licence states is at the licensee's own cost, including any oversizing, augmentation or other modification that increases capacity or energy capability beyond the values recorded in the FSPR unless the Authority has expressly permitted the related costs by direction and recorded that permission in the FSPR; (i) exceed the amount that would have been incurred had the licensee complied with any procurement requirements in this licence and the FSPR, to the extent of that excess; (j) are not demonstrably economic, efficient and effective; (k) are double counted, including where the same item is claimed more than once or claimed in more than one cost category for the purposes of this licence; and (l) any withdrawal from the Decommissioning Fund other than to meet Approved Decommissioning Costs in accordance with Special Condition 23 (Decommissioning) and the Decommissioning Plan as approved or varied by the Authority.
"External Model Auditor"	means the single external model auditor appointed by the Authority for all Relevant LDES Facilities for the purposes of Special Condition 13 (Cap and Floor Financial Model Governance).
"Facility Assessment Update"	means an update of the Facility Assessment in accordance with this licence.
"Facility Assessment"	means the Stage 2 process in which the Authority assesses eligible LDES Facilities (i.e., those that have passed the Eligibility Stage) using the LDES multi-criteria assessment (Economic, Strategic and Financial assessments, including cost and deliverability considerations) to determine which projects are offered a cap and floor regime or any reassessment triggered by events under Special

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	Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90).
"Facility Cost Ceiling"	means the reasonably pessimistic (P90) project cost accepted by the Authority following the Facility Assessment Update and used for setting final Cap and Floor levels, except where the Authority admits over-ceiling costs in accordance with the FSPR.
"Facility Value"	means the value used in the net present value calculations under Special Condition 5 (Cap and Floor Assessment), and is net of any Residual Value where Special Condition 5 (Cap and Floor Assessment) Part C (Periodic Assessment and Final Regime Adjustment) applies.
"Facility-Specific Parameter Register" or "FSPR"	means the project-specific parameter register for the Relevant LDES Facility that is established, maintained and amended by the Authority under Special Condition 24 (Status of FSPR).
"Final Regime Adjustment"	means the single final settlement amount determined by the Authority at the end of the Regime Duration under Special Condition 6 (Adjustments to licensee revenue) Part B (Periodic Assessment and Final Regime Adjustment settlement) to true up all prior settlements so that the regime is net present value neutral by reference to FinalNPVOutcome under Special Condition 5 (Cap and Floor Assessment).
"Financial Close"	means the date on which all finance documents for the Senior Debt for the Relevant LDES Facility have been executed and become effective and the first drawdown or utilisation is permitted under those documents, as evidenced to the Authority's satisfaction.
"Financial Model Governance"	means the framework and procedures set out in Special Condition 13 (Cap and Floor Financial Model Governance) for the approval, modification, maintenance, and oversight of the LDES Cap and Floor Financial Model and its accompanying handbook, as published and updated by the Authority from time to time.
"Financial Safeguards"	means the set of restrictions on asset disposal, security arrangements, and cross-default clauses as specified by the Authority to ensure financial resilience.
"Financial Year"	means, the annual (i.e. 12 month) period recorded in the FSPR and in respect of the licensee means each annual accounting reference period for which the licensee is required to prepare its statutory accounts (excluding group accounts) under the Companies Act 2006 and the Applicable Accounting Framework, as stated in those statutory accounts. A change to the Financial Year (including any change to the accounting reference date) has effect for the purposes of this licence only where the Authority has given its prior written consent and the revised Financial Year dates have been recorded in the FSPR.
"Financing Approach"	means, for a Relevant LDES Facility, the approach that applies for the purposes of calculating the Floor Level under Special Condition 3 (Cap Level and Floor Level), being either the Balance Sheet Classification or the Project Finance Classification, as

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	elected by the licensee where permitted and as recorded in the FSPR.
"Floor Level"	means the Administrative Floor Level or the ACOD Floor Level (as applicable and specified in the FSPR).
"Floor Start Date"	means the Full Commissioning Date.
"Force Majeure"	means any event or circumstance which is beyond the reasonable control of the licensee, including act of God, act of the public enemy, war declared or undeclared, threat of war, terrorist act (or threat of), blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, governmental restraint, provided that the event or circumstance: (a) could not reasonably have been avoided, prevented, or overcome by the licensee acting in accordance with Good Industry Practice; and (b) is not due to the fault, negligence, misconduct, or breach of this licence by the licensee or any of its contractors, agents, or affiliates, and provided always that: (i) neither the non availability of funds nor the lack of funds constitutes Force Majeure; (ii) an event in the licensee's sub-P90 risk register (in the FSPR) do not constitute Force Majeure, unless the Authority determines that the event or circumstance is exceptional in nature, that its occurrence or consequences materially exceed the nature, scale or impact of the relevant risk, and that it otherwise satisfies all requirements of this definition of Force Majeure; and (iii) no event or circumstance constitutes Force Majeure if, at the Effective Licence Date, the licensee knew, or ought reasonably to have known, of that event or circumstance. For the avoidance of doubt, Force Majeure does not include: (A) weather and ground conditions which are reasonably to be expected at the site; or (B) failures of equipment or plant to the extent attributable to defective design, defective construction, defective operation, or inadequate maintenance.
"Forecast To Complete"	means, as at the PCR cut off date (or such other date as the Authority specifies for the purposes of Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) Part F (Reconciliation where costs emerge after Post Construction Review)), the licensee's best estimate of the further construction

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	costs expected to be incurred after that date to achieve Full Commissioning Date. It must be supported by evidence. It must include remaining contract commitments and expected variations, claims, defect rectification, retentions and other material payments. It must exclude Excluded Costs. It may include provisional values in accordance with Special Condition 1 (Definitions and Interpretation).
"Full Commissioning Date"	means the date specified by the Authority in a notice given in writing as the date on which the Authority is satisfied that the Full Commissioning Requirements have been satisfied.
"Full Commissioning Requirements"	means satisfaction of all of the requirements recorded in Part A of Schedule B (Performance Test Protocol) and the FSPR for the Relevant LDES Facility for the purposes of determining the Full Commissioning Date, as that register may be amended by direction of the Authority in accordance with this licence.
"Gearing Cap"	means a maximum Gearing of 0.8 (80 per cent), or such other value as the Authority may direct and record in the FSPR for the Relevant LDES Facility.
"Gearing"	means, for the purposes of this licence, the ratio of: Gearing = Debt / (Debt + Equity) calculated in accordance with the methodology recorded for the Relevant LDES Facility in the FSPR.
"Generation Licence Revocation Event"	means an event that creates an entitlement for the Authority to revoke or terminate the generation licence.
"Good Industry Practice"	means, in relation to any undertaking and any circumstances, the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances.
"Gross Margin"	means, for Relevant $Year_t$, GM_t calculated in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part H (Gross Margin Reporting).
"Gross Revenue" (GR_t)	means, for any Relevant $Year_t$, the value determined in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part B (Gross Revenue).
"Income Adjusting Event term" or "IAT_t"	means, for any Relevant $Year_t$ in which the Authority has determined an Income Adjusting Event for the Relevant LDES Facility, the allowed adjustment (which may be positive or negative) to Assessed Revenue for that year, as determined by the Authority under Special Condition 10 (Non Controllable Operational Costs) and applied in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) and Special Condition 5 (Cap and Floor Assessment).
"Income Adjusting Event" or "IAE"	means an event or circumstance which:

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	(a) is, in the Authority's opinion, outside the reasonable control of the licensee and was not reasonably provided for in setting the Cap Level and the applicable Floor Level; (b) gives rise, in Relevant Year$_t$, to costs or savings for the Relevant LDES Facility that exceed the Materiality Threshold after insurance proceeds, third party recoveries and any tax effects; (c) is not already treated, and cannot reasonably be treated, as a Market Related Cost, Non Controllable Operational Cost, Post Construction Adjustment, Opex Reassessment Adjustment, Decommissioning Change in Law adjustment or Excluded Cost under this licence; and (d) the Authority determines should be reflected in Assessed Revenue through an Income Adjusting Event term in accordance with Special Condition 10 (Non Controllable Operational Costs).
"Indebtedness"	means any obligation of the licensee (whether present or future, actual or contingent, and whether or not shown as a liability in its accounts) in respect of: (a) money borrowed or raised (including under loans, bonds, notes, private placements or other debt instruments); (b) any finance lease or hire purchase agreement that, in accordance with the Applicable Accounting Framework, is treated as a liability; (c) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or other instrument issued by a bank or financial institution; (d) any receivables financing, assignment or discounting arrangement that is treated as borrowing under the Applicable Accounting Framework or that has the commercial effect of raising finance against receivables; (e) any obligation to pay any termination amount, close-out amount or similar amount under any derivative, hedge, swap or similar financial arrangement, to the extent that such obligation is treated as a liability under the Applicable Accounting Framework or has the commercial effect of financing; and (f) any other transaction having the commercial effect of a borrowing, and includes any accrued interest, fees and costs that are capitalised or otherwise added to principal, but excluding: (i) Permitted Trade Creditors; and (ii) contract liabilities arising from the sale of goods or the provision of services in the ordinary course of the Regulated Business, to the extent that those liabilities

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	are settled only by delivery of such goods or services and do not contain a financing component or other feature that has the commercial effect of a borrowing. Any financing component or other feature described in paragraph (ii) is Indebtedness.
"Independent Valuer"	means a suitably qualified and independent valuer appointed by the licensee to provide a valuation report required under Special Condition 27 (Disposals) Part D (Authority's consent) paragraph 17 or Part E (Related Undertaking Disposals) paragraph 21.
"Industry Documents"	means all industry codes, guidance, standards and other instruments whether binding or not but which would be complied with by an entity acting in accordance with Good Industry Practice and operating a facility like the Relevant LDES Facility (including guidance for, the connection, charging, discharging, operation, or other function of Long Duration Electricity Storage and including IEEE 762 (or any successor standard)).
"Initial Decision List" or "IDL"	means the Authority's initial decision list that is published for a public consultation notifying projects selected following Facility Assessment and the associated cost assessment outputs used to progress regime award.
"LDES Cap and Floor Financial Model 1" (LDES CFFM1)	means the financial model of that name that: (a) is published by the Authority and referred to in the FSPR as applicable to the licensee's LDES Facility; (b) is represented by a workbook in Microsoft Excel® format maintained under that name on the Authority's website; (c) is used by the Authority to facilitate the determination of the Preliminary Cap Level term and the Preliminary Administrative Floor Level term and/or the Preliminary ACOD Floor Level term at the Effective Licence Date and at Financial Close (as applicable), under Special Condition 3 (Cap Level and Floor Level) of this licence; (d) will be used by the Authority to facilitate the determination of the Post Construction Adjustment (PCA) terms under Special Condition 7 (Post Construction Adjustments) of this licence; and (e) which may be modified in accordance with Special Condition 13 (Cap and Floor Financial Model Governance).
"LDES Cap and Floor Financial Model 2" (LDES CFFM2)	means the financial model of that name which the Authority may publish for use during the Regime Duration to support ongoing calculations, assessment and settlement under these Special Conditions, and which may be updated from time to time (including in connection with Post Construction Review) to reflect Authority determinations, directions and FSPR updates. For the avoidance of doubt, LDES CFFM2: (a) is published with the Authority's decision on the Post Construction Review of the licensee's LDES Facility;

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	(b) is represented by a workbook in Microsoft Excel® format maintained under that name on the Authority's website; (c) will be used by the Authority to facilitate the process by which the Authority effects adjustments to the Cap Level, the Administrative Floor Level and/or the ACOD Floor Level, and the licensee's LDES Facility Revenue in accordance with the Special Conditions of this licence; and (d) may be modified in accordance with Special Condition 13 (Cap and Floor Financial Model Governance).
"LDES Facility Outage"	means any period during which the Maximum Possible Export or Import capacity of the licensee's LDES Facility at the Boundary Point is reduced below its Rated Export Capacity or Rated Import Capacity, measured in terms of the magnitude of the capacity reduction (in MW) and the duration of such reduction, as specified in this licence.
"LDES Financial Model and Handbook"	means LDES CFFM1 and LDES CFFM2 (as applicable or directed by the Authority) and any accompanying handbook, being the versions identified and published by the Authority under Special Condition 13 (Cap and Floor Financial Model Governance), as amended or replaced from time to time.
"Legal Requirements"	means all laws and all legally binding requirements of any Competent Authority that apply to the licensee, the Relevant LDES Facility or the Regulated Business, including the Codes.
"Licensee Revenue Adjustment Methodology"	has the meaning set out in Special Condition 6 (Adjustments to licensee revenue).
"Licensee Revenue"	means for any Relevant $Year_t$, Assessed Revenue (AR_t) as determined under Special Condition 4 (Assessed Revenue and Revenue Netting). Any payment, recovery, repayment, restatement or other settlement consequence under Special Condition 6(Adjustments to licensee revenue) is applied as a separate cash settlement mechanism and does not constitute an adjustment to AR_t unless this licence expressly provides otherwise.
"Licensee Working Copy"	means the copy of the Authority Model used by the licensee for the Relevant LDES Facility, which must match the structure and logic of the Authority Model and may be updated only as permitted by Special Condition 13 (Cap and Floor Financial Model Governance).
"Longstop Date"	means the date recorded in the FSPR for the Relevant LDES Facility for Special Condition 26 (Obligation to achieve the Full Commissioning Date) purposes.
"Marginal Cycling Costs"	means, for any Relevant $Year_t$, the marginal non-energy costs directly attributable to charging and discharging the Relevant LDES Facility (expressed in £ per MWh of measured charge and/or discharge throughput at the Boundary Point), calculated in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part C (Market Related Costs and Optimiser Fees) and any methodology specified in the RIGs or directed by the Authority. It may include throughput-related wear and tear, variable maintenance and consumables. It must not include:

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	(a) energy purchase costs for charging or auxiliary consumption; (b) any separate charge for energy losses unless directed by the Authority on a basis that avoids double counting; (c) any item already included in any fixed opex allowance or adjustment under this licence; (d) any item already included in any allowed replacement expenditure or other allowance recorded in the FSPR; or (e) any Excluded Costs. Marginal Cycling Costs must only reflect short-run, incremental costs that vary with measured charge and discharge volumes and must not be used to recover long-run degradation, loss of capacity, or replacement capital costs, which are borne by the licensee except to the extent expressly allowed elsewhere in this licence.
"Market Related Costs" or "MRC_t"	means, for any Relevant $Year_t$, the value determined in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part C (Market Related Costs and Optimiser Fees).
"Material Disposal"	means a Disposal that meets thresholds recorded in the FSPR, with aggregation of related Disposals, modifications, or linked arrangements over a period specified in the RIGs or as directed by the Authority.
"Materiality Threshold"	means where total costs or savings incurred or realised by the licensee as a result of the relevant event in a Relevant Year exceed five per cent of the applicable Floor Level for that Relevant Year. For this purpose, the Floor Level must be calculated on a notional basis, assuming that: (a) the Floor Level applies for the whole of the Relevant Year; (b) no adjustment is made for partial years; (c) no adjustment is made for availability outcomes, Conditional Floor Accrual, or any other availability-related mechanism; and (d) the assessment is carried out regardless of whether the Floor Level is in force or whether any amount of $FloorSupport_t$ is ultimately payable in that year. Where multiple costs or savings arise from the same underlying event or from a series of closely related events, they must be considered together when assessing whether the threshold is exceeded.
"Maximum Charge Rate" and "Maximum Discharge Rate"	mean the maximum controllable charge and discharge power respectively at the Boundary Point(s), expressed in MW at Reference Conditions, as set out in Schedule B (Performance Test Protocol).
"Maximum Possible Export or Import"	means, for any interval, the maximum net export capacity or net import capacity (as applicable) that the Relevant LDES Facility is capable of delivering at the Boundary Point(s), being the "Available

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	Capacity" used in Special Condition 12 (Technical Capability, Availability and Floor Eligibility) Part C (Equivalent Availability Calculation and energy based cross check).
"Minimum Availability Target" (MAT)	means, for the Relevant LDES Facility and each Relevant Year$_t$, the minimum Equivalent Availability Calculation specified by the Authority and recorded in the FSPR for the purposes of Special Condition 5 (Cap and Floor Assessment).
"Minimum Duration"	means eight (8) hours, or such longer or shorter duration as may be specified in the FSPR.
"Model Handbook"	means the handbook, change log, model map, and any instructions that the Authority publishes for an Authority Model under Special Condition 13 (Cap and Floor Financial Model Governance) and identifies by the same Version Identifier.
"Multi-Criteria Assessment (MCA) Framework"	means the methodology published by the Authority for the LDES cap and floor scheme that explains how eligible projects are assessed and how projects are selected for a cap and floor award, as set out in the Authority's published Decision on the Assessment Framework for Window 1 dated 23 September 2025 and any subsequent MCA publications or updates, together with any associated methodologies and guidance published alongside it.
"Net Present Value" or "NPV"	means the present value of an amount or series of amounts calculated using the Discount Factors UF_t in accordance with Special Condition 5 (Cap and Floor Assessment) Part D (Net Present Value Terms) and Part E (Discounting).
"Non Controllable Operational Costs"	means the costs and charges that are determined to be NCC_t in accordance with Special Condition 10 (Non Controllable Operational Costs). For the avoidance of doubt, Non Controllable Operational Costs do not include: (a) Market Related Costs; or (b) any costs that are Excluded Costs.
"Non Public Regulatory Information"	means any information that the licensee holds as part of its Regulated Business that may impact market prices, or that the licensee receives from the Authority, the ESO or any other public body under or in connection with this licence, and that is not in the public domain, as set out in Special Condition 16 (Financial Safeguards).
"ORBt"	has the meaning given to that term in Special Condition 4 (Assessed Revenue and Revenue Netting) Part C (Market Related Costs and Optimiser Fees).
"Operational Discount Rate"	has the meaning given in Special Condition 5 (Cap and Floor Assessment), Part E (Discounting).
"Operational Period"	means the period commencing on the Full Commissioning Date, evidenced as successful completion of the Commissioning Tests under Schedule B, and ending on the earlier of the end of the Regime Duration or permanent decommissioning, unless the Authority directs otherwise.

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"Opex Reassessment Adjustment" or "ORA"	means the adjustment(s) to the Cap Level and the applicable Floor Level following a determination by the Authority in accordance with Special Condition 8 (Opex Reassessment) of this licence.
"Opex Reassessment"	means the process for determining the value of the Opex Reassessment Adjustment terms set out in Special Condition 8 (Opex Reassessment) of this licence.
"Optimiser Contract"	means any agreement entered into by or on behalf of the licensee with an Optimiser for the provision of services by that Optimiser in respect of the Relevant LDES Facility.
"Optimiser Fees"	means all consideration (cash or in kind) that is paid, credited, netted, retained, or otherwise transferred to an Optimiser (or any of its Affiliates or Associates) as remuneration for Optimiser services for the Relevant Year. It includes fixed fees, availability or tolling fees payable by the licensee, management fees, incentive fees, performance fees, and any revenue share or profit share. It also includes any margin, spread or other trading value retained by the Optimiser where it trades as principal or otherwise captures value from transactions attributable to the Relevant LDES Facility. It excludes third party market charges that are separately included within MRC_t or NCC_t and are not retained by the Optimiser.
"Optimiser"	means any person engaged by or on behalf of the licensee to provide optimisation, trading, scheduling, dispatch, bidding, route-to-market, balancing responsibility, forecasting or risk management services for the Relevant LDES Facility. It includes any person who issues operational instructions to the Relevant LDES Facility for those purposes. It includes a person acting as agent or as principal.
"Parent Undertaking"	means a parent undertaking within the meaning of section 1162 of the Companies Act 2006.
"Partial Year Cap Adjustment Factor" (PYC_t)	has the meaning given in Special Condition 3 (Cap Level and Floor Level).
"Partial Year"	means any period within the Regime Duration that is shorter than a complete Relevant Year, including the first Relevant Year and last Relevant Year, with adjustment factors calculated in accordance with Special Condition 3 (Cap Level and Floor Level).
"Participating Interest"	has the meaning given to it in section 421A of the Financial Services and Markets Act 2000.
"Participating Owner"	means, in relation to any person, a company which holds a Participating Interest in that person or holds a Participating Interest in an Affiliate of that person.
"PCR Cost Baseline"	means the Authority determined cost baseline for the Relevant LDES Facility at Post Construction Review, net of Excluded Costs, determined in accordance with Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) Part E (Treatment of construction cost outcomes at Post Construction Review) and, where applicable, Special Condition 9 (Delay, Force Majeure and

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	Cost Overruns beyond P50 and P90) Part F (Reconciliation where costs emerge after Post Construction Review).
"PCR Trigger"	means the point at which the licensee notifies the Authority that sufficient cost certainty has been reached to commence the Post Construction Review, as evidenced in accordance with Special Condition 7 (Post Construction Adjustments) or as may be directed by the Authority.
"Permitted Shareholder Debt"	means Shareholder Debt which meets all of the following requirements: (a) it is fully subordinated in right of payment to all Senior Debt; (b) it is unsecured and is not supported by any guarantee, indemnity or other credit support from the licensee or over any Regulated Asset or any Receivable; (c) it has no scheduled cash interest payments and no scheduled repayments of principal while any Senior Debt is outstanding, except with the prior written consent of the Authority; (d) it contains no event of default, acceleration, step-up, cash sweep or other mechanism which is triggered by any breach of a financial ratio or covenant, including any gearing or DSCR test, or by any event affecting an Affiliate, Associate or Related Undertaking; and (e) any repayment of principal or payment of interest is treated as a Distribution for the purposes of this licence.
"Permitted Trade Creditors"	means trade creditors and accruals incurred in the ordinary course of the Regulated Business on arm's length terms which: (a) are not incurred for the purpose of raising finance or deferring payment beyond normal market practice; (b) are not secured over any Regulated Asset or any Receivable; (c) are not owed to an Affiliate, Associate or Related Undertaking, unless they are on arm's length terms and on normal commercial terms and the Authority has not directed otherwise; and (d) are payable within the normal contractual payment period and are not overdue by more than 90 days from the due date, other than amounts disputed in good faith. For the avoidance of doubt, any trade creditor that is incurred or managed in a manner that has the commercial effect of a borrowing is not a Permitted Trade Creditor.
"Post Construction Adjustment" or "PCA"	means the adjustments to the Cap Level and the applicable Floor Level following a determination by the Authority in accordance with Special Condition 7(Post Construction Adjustments) and applied through Special Condition 3 (Cap Level and Floor Level).

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"Post Construction Review"	means the process for determining the value of the Post Construction Adjustment terms set out in Special Condition 7 (Post Construction Adjustments) of this licence.
"Post Regime Duration Period"	means the period beginning immediately after the Regime End Date and ending on the date specified by the Authority for the purposes of any continuing reconciliation, true up, repayment, record retention, audit, or decommissioning obligations under this licence, as set out in Special Condition 2 (Application of these Special Conditions) paragraph 2 and any Authority direction recorded in the FSPR.
"Preliminary ACOD Floor Level (PACODFL)"	means the value determined in accordance with Special Condition 3 (Cap Level and Floor Level) of this licence.
"Preliminary Administrative Floor Level (PAdminFL)"	means the value determined in accordance with Special Condition 3 (Cap Level and Floor Level) of this licence.
"Preliminary Cap Level (PCL)"	means the value determined in accordance with Special Condition 3 (Cap Level and Floor Level) of this licence.
"Project Finance Classification"	means a Relevant LDES Facility in respect of which the ACOD Approach is selected in accordance with the FSPR.
"Rated Export Capacity"	means the maximum continuous net export capacity at the Boundary Point as set out in the FSPR.
"Rated Import Capacity"	means the maximum continuous net import capacity at the Boundary Point as set out in the FSPR.
"Receivables"	means any amount receivable by the licensee under or for the purposes of the licence, including rights to receive payments or recoveries under Special Condition 3 (Cap Level and Floor Level) to Special Condition 6 (Adjustments to licensee revenue), and any related claims, interest, or enforcement rights.
"Reference Conditions"	means conditions reasonably representative of normal, unconstrained operation of the Relevant LDES Facility, including: (a) the electrical conditions at the Boundary Point being within the normal operating ranges applicable under the Connection Agreement and the Grid Code, and where relevant, at a reactive power / power factor operating point consistent with the approved Test Plan and applicable ESO instructions and requirements; (b) the Relevant LDES Facility being in normal automatic operating mode with auxiliary systems in service, and with no abnormal alarms or operator-imposed derating (other than those required for safe operation); (c) the absence of any export/import constraint, curtailment or other external limitation preventing the Relevant LDES Facility from achieving the required testing performance; and (d) any ambient or environmental conditions relevant to the Relevant LDES Facility, to the extent provided for in the

Defined Term	Definition
	approved Test Plan, OEM guidance and Good Industry Practice.
"Regime Documents"	means: (a) the Technical Decision Document as published on 11 March 2025 and any later version that the Authority identifies in writing as applying to the relevant Application Window; (b) LDES Guidance, being the guidance and decision documents the Authority identifies in writing as applying to the relevant Application Window; (c) the LDES Cap and Floor Financial Model and handbook, being the versions approved and published under Special Condition 13 (Cap and Floor Financial Model Governance); and (d) the LDES Cap and Floor RIGs issued under Special Condition 20 (RIGs).
"Regime Duration"	means the period beginning on the Effective Licence Date and ending on the date falling the prescribed number of years (as set out in the FSPR) after the Full Commissioning Date.
"Regime End Date"	means the date on which the Regime Duration expires (as per that defined term).
"Regime Start Date"	means the date on which the Regime Duration commences (as per that defined term).
"Regulated Assets"	means, in relation to the licensee, each asset, right or interest (including any freehold or leasehold interest in land, easements, wayleaves and similar property rights) that: (a) is used, or is intended to be used, for the purposes of a Relevant LDES Facility; and (b) is taken into account, in whole or in part, for the purposes of setting or adjusting any Cap Level or Floor Level or for the purposes of calculating Gross Revenue, Market Related Costs, Non Controllable Operational Costs or Assessed Revenue, in each case as identified by the Authority by direction and recorded in the FSPR. Where any such asset, right or interest is used partly for a Relevant LDES Facility and partly for any other purpose, it is a Regulated Asset only to the extent of the proportion allocated to the Relevant LDES Facility in accordance with Schedule C (Co-Location and Behind the Meter Generation) or as otherwise directed by the Authority and recorded in the FSPR.
"Regulated Business"	means the business of the licensee to the extent it consists of developing, constructing, commissioning, owning, operating, maintaining and decommissioning the Relevant LDES Facility and the Regulated Assets, and includes all revenues, costs, assets and

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	liabilities attributable to that activity. It excludes any other business of the licensee.
"Related Undertaking Disposal"	means any Disposal of a Relevant LDES Asset where the transferee is, or will become as a result of the transaction, an Affiliate, Associate or Related Undertaking of the licensee.
"Related Undertaking"	means, in relation to any person, any undertaking in which such person has a Participating Interest.
"Relevant Assessment Period"	means, for a Relevant LDES Facility, a period consisting of one or more contiguous Relevant Years, with the length of each period as recorded in the FSPR.
"Relevant LDES Asset"	means any asset, right or interest owned, leased or otherwise controlled by the licensee that is used wholly or mainly for the Regulated Business, or which has been acquired as part of or for the purposes of the Regulated Business. It includes any asset, right or interest that the Authority has identified as a Relevant LDES Asset in the FSPR. Where an asset, right or interest is used partly for the Regulated Business and partly for another purpose, it is a Relevant LDES Asset only to the extent of the portion allocated to the Regulated Business in accordance with Schedule C (Co-Location and Behind the Meter Generation) or as directed by the Authority and recorded in the FSPR.
"Relevant LDES Facility"	means the LDES facility or facilities to which the cap and floor regime applies as named in the FSPR.
"Relevant Partial Assessment Period"	means a contiguous period of whole Relevant Years within a multi-year Relevant Assessment Period, ending at the end of a Relevant Year, identified by the Authority or proposed by the licensee and accepted by the Authority.
"Relevant Year"	means: (a) for each Financial Year that falls wholly within the Regime Duration, that Financial Year; and (b) for the portions of the first and last Financial Years that fall partly within the Regime Duration, the period: (i) beginning on (and including) the Regime Start Date and ending on (and including) the last day of the first Financial Year that falls partly within the Regime Duration; and (ii) beginning on (and including) the first day of the last Financial Year that falls partly within the Regime Duration and ending on (and including) the Regime End Date.
"Relevant Year$_t$"	means that Relevant Year for the purposes of which any calculation falls to be made.
"Relinquish Operational Control"	means entering into any agreement or arrangement (including a series of related arrangements) that results in any other person having exclusive or de facto control over dispatch, charging, discharging, outage planning or other operational decisions for the

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	Relevant LDES Facility, or that prevents or materially restricts the Licensee from exercising an unconditional right to override operational instructions where necessary for safety, compliance, or the fulfilment of the Licensee's obligations under this licence. The Authority may, in the RIGs, specify and update criteria, safe-harbour conditions, and non-permitted features for the purposes of determining whether an arrangement constitutes Relinquishing Operational Control, including (without limitation) provisions relating to optimiser structures (including trading-as-principal, tolling or exclusivity), override rights, termination and replacement rights, step-in rights, security over Relevant LDES Assets or Receivables, control of settlement rights or payment flows, and control of outage or maintenance planning.
"Residual Value"	means, in relation to the Relevant LDES Facility, the value (if any) determined by the Authority by direction and recorded in the FSPR that represents the expected remaining economic value of the Relevant LDES Facility at the Regime End Date. Residual Value does not of itself create any payment obligation or payment entitlement under this licence.
"Revenue Excess at Cap"	means $REAC_t$ as defined in Special Condition 5 (Cap and Floor Assessment) Part A (Annual Comparison of Assessed Revenue with Cap Level and Floor Level).
"Revocation Notice"	means a written notice that states scope of revocation, effective date, reasons, representations period, and any interim directions.
"RIGs"	means the LDES Cap and Floor Regulatory Instructions and Guidance issued by the Authority.
"Schedule"	means a schedule to these Special Conditions, as listed in the Table of Schedules, which forms part of this licence and sets out additional requirements, procedures, or technical protocols relevant to the LDES cap and floor regime.
"Senior Debt Hedging Policy"	means the policy for hedging Senior Debt risks submitted by the licensee for Authority Approval in accordance with Schedule A (ACOD Floor Level Schedule) Part E.
"Senior Debt"	means, for the purposes of this licence, Indebtedness that: (a) ranks ahead of Equity and Shareholder Debt in the event of insolvency or winding up of the licensee; and (b) is not contractually subordinated to any other Indebtedness of the licensee, in each case to the extent attributable to financing the Relevant LDES Facility and as recorded in the FSPR. Senior Debt includes any Shareholder Debt that is not Permitted Shareholder Debt.
"Senior Lenders"	means the lenders, bondholders, noteholders, facility agents, security agents and other finance parties that provide Senior Debt to the licensee in respect of the Relevant LDES Facility, as identified in the FSPR.
"Shareholder Debt"	means any Indebtedness of the licensee which is owed to:

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	(a) any shareholder of the licensee; (b) any Affiliate, Associate or Related Undertaking of the licensee; or (c) any person acting on behalf of, or funded by, any person in paragraph (a) or (b), and includes any preference share or similar instrument that is, in substance, debt.
"Sharing Rate"	means the fraction stated in the FSPR.
"SONIA"	means the Sterling Overnight Index Average administered by the Bank of England (or any successor administrator) and published for the relevant day.
"Specified Information"	means the information, data, records, calculations, models, outputs, certifications and other items that the Authority specifies in the RIGs from time to time for the purposes of administering this licence.
"Standard Conditions"	means the conditions of this name that apply to the licensee as part of this electricity generation licence.
"State of Charge" or "SoC"	means the stored energy within the LDES asset at a given time, expressed in MWh and as a percentage of the effective usable energy capacity, measured in accordance with Schedule B (Performance Test Protocol).
"Structured Transaction"	means any contract, transaction or series of related transactions, including physical or financial trades, internal hedges, options, swaps, tolling or optimisation agreements, or any similar arrangement, that is designed to, or is reasonably capable of: (a) changing (from normal market practice for comparable entities to the licensee without the cap and floor regime) the timing, amount, allocation or recognition of Gross Revenue, Market Related Costs, Non Controllable Operational Costs or Assessed Revenue for the Relevant LDES Facility, including by shifting revenues or costs between Relevant Years; or (b) transferring risk or value between the Relevant LDES Facility and any Affiliate, Related Undertaking, Associate or other asset, or any third party, on terms that are not clearly aligned with observable arm's length market terms for comparable standalone trades.
"Structured Transactions Register"	means the register maintained by the licensee in accordance with Special Condition 21 (Structured Transactions) Part B (Identification and Structured Transactions Register) that records each Structured Transaction and the information required by Special Condition 21 (Structured Transactions) paragraph 9.
"Subsidiary Undertaking"	means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

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"Subsidiary"	has the meaning given to it in sections 1159 and 1160 of the Companies Act 2006
"Supporting Information"	means the documents and data the Authority reasonably requires to assess the proposed transaction, as specified in the RIGs or in the Authority notice.
"Target Delivery Date"	means the delivery milestone date by which the Relevant LDES Facility is expected to achieve Full Commissioning Date as recorded in the FSPR as may be extended by direction of the Authority under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and which is [***(a) in respect of a Track 1 project, 31 December 2030; or (b) in respect of a Track 2 project, 31 December 2033.]***
"Technical Decision Document"	means the document of that name published by the Authority.
"Technology Readiness Level" (TRL)	means the classification of the maturity of a particular technology, as defined by the Authority or in accordance with the applicable UK Government or international standard, ranging from TRL 1 (basic principles observed) to TRL 9 (actual system proven in operational environment). For Window 1, TRL 9 for stream 1 projects and TRL 8 for stream 2 projects, or as otherwise specified by the Authority for subsequent windows.
"Total Forecast Facility Costs"	means, as at the date of the relevant notice or submission, the licensee's best estimate of the total costs expected to be incurred to achieve the Full Commissioning Date for the Relevant LDES Facility. It includes costs already incurred and forecast costs to completion, including committed costs and expected variations and claims. It includes contingency expected to be used to achieve the Full Commissioning Date. It excludes Excluded Costs. The term Total Forecast Facility Costs, is stated on the same scope and price basis as the P50 and P90 cost scenarios recorded in the FSPR, unless the Authority directs otherwise.
"Track 1 Backstop Date" and "Track 2 Backstop Date"	mean the latest dates by which, absent an Authority direction, the licensee must have achieved its Full Commissioning Date for Track 1 and Track 2 respectively, as set out in the Technical Decision Document and any subsequent Authority direction.
"Track 1 Delivery Date"	means the delivery milestone for projects expected to be operational by 31 December 2030 or such later date as the Authority may direct for Track 1 projects following the Facility Assessment.
"Track 2 Delivery Date"	means the delivery milestone for projects expected to be operational by 31 December 2033 or such later date as the Authority may direct for Track 2 projects following the Facility Assessment.
"UK REMIT"	means Regulation (EU) No 1227/2011 on wholesale energy market integrity and transparency, as it forms part of domestic law in Great Britain from time to time, including as retained under the European Union (Withdrawal) Act 2018. It includes any retained EU

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	implementing legislation made for the purposes of that Regulation, and any enactment that provides for its enforcement in Great Britain, including the Electricity and Gas (Market Integrity and Transparency) (Enforcement etc.) Regulations 2013, as amended from time to time. It includes any guidance issued by the Authority in relation to that regime.
"Ultimate Controller"	means any of the following: (a) a Parent Undertaking of the licensee, which is not itself a Subsidiary Undertaking of another company; and (b) any person who (whether alone or with a person or persons connected with them) is in a position to control, or to exercise significant influence over, the policy of the licensee or the policy of any Parent Undertaking or Participating Owner of the licensee by virtue of: (i) rights under contractual arrangements to which they or any of their Affiliates are a party or of which they are a beneficiary; or (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by them or any of their Affiliates or of which they are a beneficiary;
"Upper Charge Limit (UCL)" and "Lower Charge Limit (LCL)"	mean the maximum and minimum permitted State of Charge for routine operations, expressed as percentages of effective usable energy capacity and set out in the FSPR.
"Version Identifier"	means the unique identifier stated by the Authority for an Authority Model Suite, including the publication date and version number.
"Within Period Adjustment"	means any Within Period Adjustment determined by the Authority under Special Condition 11 (Within Period Adjustment).
"Working Days"	means any day other than a Saturday, Sunday, or public holiday in England and Wales.

Special Condition 2 Application of these Special Conditions

1 Subject to paragraphs 2 to 5 of this Special Condition 2, these Special Conditions, and the licensee's obligations under them, will commence on the Effective Licence Date and remain in place for the Regime Duration.

2 These Special Conditions shall cease to have effect on the Regime End Date. From that date, all obligations under these Special Conditions shall fall away, except for any reconciliation or true-up processes expressly provided for under this licence. Save that:

a) nothing in these Special Conditions limits the Authority's powers to monitor compliance, investigate, or take enforcement action in respect of any breach of the licence, the Standard Conditions, these Special Conditions, or any direction or determination given under them;

b) any breach that occurs before the Regime End Date remains enforceable after the Regime End Date;

c) the expiry, revocation, or cessation of these Special Conditions does not waive, release, or extinguish any liability or remedy arising from an antecedent breach; and

d) any obligation to provide information, retain records, or cooperate with audit or assurance, to the extent it relates to an antecedent breach or any reconciliation or true up, continues after the Regime End Date until the Authority confirms in writing that it is no longer required.

3 Notwithstanding paragraph 2, any amount or balance that is determined and tracked under this licence by reference to:

a) the Conditional Floor Accrual Balance (as calculated under Special Condition 5 (Cap and Floor Assessment)5and Special Condition 6 (Adjustments to licensee revenue));

b) the ACOD Differential balance (as calculated under Special Condition 4Part F (ACOD Approach and Differential Tracking) and repaid under Special Condition 6 Part E); and/or

c) the Backstop Delay Repayment Balance (as calculated and repaid under Special Condition 6),

that is greater than zero immediately before the Regime End Date remains outstanding after the Regime End Date and during any Post Regime Duration Period, and the licensee must continue to comply with the related tracking, reporting, repayment and settlement obligations under Special Condition 6 (Adjustments to licensee revenue) until that balance is reduced to zero. Accordingly, any restriction on, or condition precedent to, any Distribution or Equity Distribution that applies by reference to a balance described in paragraph 3a), 3b) or 3c) as applicable (including, without limitation, the Distribution lock-up in Special Condition 12 Part G and the Distribution lock-up in Special Condition 6 (Adjustments to licensee revenue) relating to the Backstop Delay Repayment Balance) continues to apply after the Regime End Date until the relevant balance is reduced to zero, after giving effect only to repayments that have been paid or irrevocably netted in accordance with Special Condition 6 (Adjustments to licensee revenue). No amount shall become payable to the licensee under the cap and floor regime after the Regime End Date. For the purpose of this paragraph, references in Special Condition 6 (Adjustments to licensee revenue) to a Relevant Year and to the Floor Level being in force shall include, after the Regime End Date, each Financial Year falling within the Post Regime Duration Period and the notional Floor Level that would have applied in that Financial Year had the Regime Duration continued.

Entry into force

4 The Cap Level (and payments where Assessed Revenues exceed the Cap Level to ESO) comes into force on the Effective Licence Date.

5 The Floor Level (and payments where Assessed Revenue is below the Floor Level from ESO) comes into force on the Floor Start Date. For the avoidance of doubt, during the Cap Only Period the Floor Level is not in force. No payment, accrual, entitlement or calculation under the Floor Level arises in respect of the Cap Only Period.

Special Condition 3 Cap Level and Floor Level

Purpose of this condition

1 The purpose of this Special Condition is to set out the calculation of the Cap Level and Floor Level terms for each Relevant Year, against which the licensee's Assessed Revenue is assessed in accordance with Special Condition 5 (Cap and Floor Assessment).

2 This condition also provides for:

a) the determination of preliminary Cap Level and Floor Level terms at the Effective Licence Date;

b) the calculation of adjustments to the Cap Level and Floor Level arising from Post Construction Adjustments and Opex Reassessment Adjustment;

c) the application of CPIH indexation and Partial Year adjustment factors; and

d) the recording and reporting of all such values in accordance with the RIGs.

3 Where the Authority makes a determination or gives a direction under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) that affects any date, cost input, parameter or adjustment term used in the calculation of the Cap Level or the applicable Floor Level, the Authority may record the resulting values in the FSPR and those values must be applied in the calculations under this Special Condition 3 from the effective date specified in the Authority's determination or direction.

Structure of this condition

4 This condition is structured as follows:

a) Part A: Calculation of the Cap Level and the Floor Levels.

b) Part B Preliminary Cap and Floor terms.

c) Part C: Post Construction Adjustment terms.

d) Part D: Opex Reassessment Adjustment TERMS.

e) Part E: Calculation of the CPIH term.

f) Part F: Calculation of the Partial Year adjustment factors.

g) Part G: Interpretation.

Part A Calculation of the Cap Level and the Floor Levels

5 For each Relevant $Year_t$, the Cap Level and Floor Level are calculated as follows:

a) The Cap Level (expressed in Relevant $Year_t$ prices, nominal) shall be:

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

Where:

(i) PYC_t = the Partial Year Cap Adjustment Factor for Relevant $Year_t$ as set out in Part F of this condition;

(ii) PCL = the Preliminary Cap Level term directed by the Authority under Part B of this condition and recorded in the FSPR (expressed in Base Year Prices (real));

(iii) PCAC = the Post Construction Adjustment at Cap as directed by the Authority under Special Condition 7 (Post Construction Adjustments) and recorded in the FSPR (expressed in Base Year Prices (real));

(iv) ORAC = the Opex Reassessment Adjustment at Cap as directed by the Authority under Special Condition 8 (Opex Reassessment) and recorded in the FSPR (expressed in Base Year Prices (real));

(v) DCC_t has the meaning given to Decommissioning Cost Adjustment at Cap in Special Condition 1 (Definitions and Interpretation). It has a value of zero unless and until the Authority directs otherwise (expressed in Base Year Prices (real)); and

(vi) $CPIH_t$ = the CPIH term for Relevant $Year_t$ calculated in accordance with Part E of this condition.

b) The Administrative Floor Level (expressed in Relevant $Year_t$ prices, nominal) shall be:

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

Where:

(i) PYF_t = the Partial Year Floor Adjustment Factor for Relevant $Year_t$ as set out in Part F of this condition;

(ii) PAdminFL = the Preliminary Administrative Floor Level term directed by the Authority under Part B of this condition and recorded in the FSPR (expressed in Base Year Prices (real));

(iii) PCAAF-Admin = the Post Construction Adjustment at Administrative Floor as directed by the Authority under Special Condition 7 (Post Construction Adjustments) and recorded in the FSPR (expressed in Base Year Prices (real));

(iv) ORAAF-Admin = the Opex Reassessment Adjustment at Administrative Floor as directed by the Authority under Special Condition 8 (Opex Reassessment) and recorded in the FSPR (expressed in Base Year Prices (real));

(v) DCF_t has the meaning given to Decommissioning Cost Adjustment at Floor in Special Condition 1 (Definitions and Interpretation). It has a value of zero unless and until the Authority directs otherwise (expressed in Base Year Prices (real)); and

(vi) $CPIH_t$ = the CPIH term for Relevant $Year_t$ calculated in accordance with Part E of this condition.

c) Where the ACOD Approach is stated to apply in the FSPR, the ACOD Floor Level (expressed in Relevant $Year_t$ prices, nominal) shall be:

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

Where:

(i) PYF_t = the Partial Year Floor Adjustment Factor for Relevant $Year_t$ as set out in Part F of this condition;

(ii) PACODFL = the Preliminary ACOD Floor Level term directed by the Authority under Part B of this condition and recorded in the FSPR (expressed in Base Year Prices (real));

(iii) PCAAF = is the Post Construction Adjustment at ACOD Floor as directed by the Authority under Special Condition 7 (Post Construction Adjustments) and recorded in the FSPR (expressed in Base Year Prices (real));

(iv) ORAAF = the Opex Reassessment Adjustment at ACOD Floor as directed by the Authority under Special Condition 8 (Opex Reassessment) and recorded in the FSPR (expressed in Base Year Prices (real));

(v) DCF_t has the meaning given to Decommissioning Cost Adjustment at Floor in Special Condition 1 (Definitions and Interpretation). It has a value of zero unless and until the Authority directs otherwise (expressed in Base Year Prices (real); and

(vi) $CPIH_t$ = the CPIH term for Relevant $Year_t$ calculated in accordance with Part E of this condition.

Part B Preliminary Cap and Floor terms

Determination of cap and floor level and publication

6 At the Effective Licence Date, the Authority determines and records in the FSPR the following for the licensee:

a) the Preliminary Cap Level (PCL); and

b) the Preliminary Administrative Floor Level (PAdminFL).

7 Unless and until the FSPR records that the ACOD Approach applies to the Relevant LDES Facility in accordance with Schedule A (ACOD Floor Level Schedule), the Administrative Floor Level shall be the applicable Floor Level for that Relevant LDES Facility.

8 The ACOD Approach shall apply only where:

a) the Authority has given all Authority Approvals required under Schedule A (ACOD Floor Level Schedule)

b) the Authority has determined that the ACOD Approach applies to the Relevant LDES Facility; and

c) that determination, together with its effective date, has been recorded in the FSPR.

9 The ACOD Approach shall have effect only from the effective date recorded in the FSPR.

10 For the Administrative Approach, the Authority determines the Preliminary Cap Level (PCL) and the Preliminary Administrative Floor Level (PAdminFL) by first applying the administrative parameters and updating all relevant parameters in the LDES CFFM1, as approved by the Authority and then recording them in the FSPR.

11 Following Financial Close, where the ACOD Approach applies as recorded in the FSPR, the Authority shall by direction determine the Preliminary ACOD Floor Level (PACODFL) and record it in the FSPR.

12 For the purposes of paragraph 11, the ACOD Floor Parameters shall be applied in accordance with Schedule A (ACOD Floor Level Schedule) and the relevant parameters in the LDES CFFM1 shall be

updated at Financial Close, as approved by the Authority, such that the value in the specified cell of the LDES CFFM1 is the Preliminary ACOD Floor Level.

13 From the date on which each of the PCL, PAdminFL and PACODFL is determined and recorded in the FSPR, it remains fixed except to the extent revised by direction under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and recorded in the FSPR. Such direction shall be recorded in the FSPR. However, the Authority may correct any manifest error in the PCL or the PAdminFL or PACODFL by updating the LDES CFFM1 and the FSPR accordingly and must notify the licensee; the corrected value takes effect on the date shown for it in the FSPR.

Residual Value Adjustment

14 For the purposes of this Part B, Residual Value is zero unless the Authority determines a non-zero Residual Value by direction and records it in the FSPR.

15 Where a non-zero Residual Value is recorded in the FSPR, the Authority and the licensee must apply that Residual Value as an input in the LDES CFFM1 when determining (or providing evidence in respect of):

a) PCL and PAdminFL under paragraphs 6 and 7;

b) PACODFL under paragraphs 11 and 12; and

c) any PCA or ORA terms determined by rerunning the model under this licence.

For the avoidance of doubt, Residual Value is not a separate adjustment term in the formulae in Part A and must not be applied in addition to the model outputs referred to in this paragraph.

Part C Post Construction Adjustment terms

Purpose

16 The Post Construction Adjustment terms adjust the Cap Level and the applicable Floor Level to account for the difference between:

a) the Authority's estimate of efficient costs at Effective Licence Date to the licensee; and

b) the Authority's assessment at Post Construction Review of the costs associated with developing, constructing, operating, maintaining, financing and, only to the extent expressly provided for in Special Condition 23 or the FSPR, decommissioning the Relevant LDES Facility.

Calculation

17 The Authority may, by direction, determine the value of each Post Construction Adjustment term that applies to the Relevant LDES Facility, being:

a) the Post Construction Adjustment at Cap (PCAC);

b) the Post Construction Adjustment at Administrative Floor (PCAAF-Admin); and

c) the Post Construction Adjustment at ACOD Floor (PCAAF),

in each case in accordance with Special Condition 7 (Post Construction Adjustments). Unless and until the Authority has given such a direction, each PCA term has a value of zero. For the avoidance of doubt, where any PCA term has a value of zero pending a direction, calculations and

assessments under these Special Conditions must proceed using that zero value and must not be deferred.

18 A direction under paragraph 17 must:

a) specify which PCA term or terms are determined for the Relevant LDES Facility;

b) state the determined value of each such term;

c) state the effective date from which each such term applies for the purposes of the calculations under these Special Conditions; and

d) require the recording of each such term, and its effective date, in the FSPR.

19 Subject to paragraph 20, each PCA term determined by the Authority under paragraph 17 remains fixed for the remainder of the Regime Duration and must not be amended except by a further direction of the Authority made in accordance with Special Condition 7 (Post Construction Adjustments) (including any recalculation or revision expressly permitted under that condition).

20 The PCA is forward-looking only. It applies only from the effective date specified in the Authority's direction and does not reopen or restate any Cap Level, Floor Level, Annual Assessment, or settlement for any earlier Relevant Year, except to the extent expressly provided for in Special Condition 6 (Adjustments to licensee revenue) or Special Condition 7 (Post Construction Adjustments). The treatment of decommissioning costs and any decommissioning cost adjustments is governed by Special Condition 23 (Decommissioning) and the FSPR, and is not adjusted through PCAC, PCAAF-Admin or PCAAF unless expressly provided for in those provisions.

Part D Opex Reassessment Adjustment terms

21 The Opex Reassessment Adjustment is an adjustment to the Cap Level and the applicable Floor Level to reflect the difference between:

a) the opex assumptions used for the Relevant LDES Facility in setting the Cap Level and the applicable Floor Level following Post Construction Review; and

b) the Authority's reassessment of opex at an Opex Reassessment,

in each case in accordance with Special Condition 8 (Opex Reassessment). An Opex Reassessment may occur no earlier than ten years from the Regime Start Date and, if exercised, at intervals of not less than ten years thereafter. Any reassessment applies only from the effective date stated in the Authority's direction.

22 The Authority may, by direction, determine the Opex Reassessment Adjustment terms that apply to the Relevant LDES Facility, being:

a) the Opex Reassessment Adjustment at Cap (ORAC); and

b) the Opex Reassessment Adjustment at Floor (ORAF),

where "ORAF" is either ORAAF-Admin or ORAAF, as applicable to the Financing Approach recorded in the FSPR.

23 Unless and until the Authority has given such a direction, ORAC and ORAF each have a value of zero.

24 A direction under paragraph 22 must:

a) state the determined value of ORAC and ORAF;

b) state the effective date from which each term applies for the purposes of the calculations under these Special Conditions; and

c) require ORAC, ORAF and their effective dates to be recorded in the FSPR and reported in accordance with the RIGs.

25 Subject to paragraph 26, ORAC and ORAF determined under paragraph 22 remain fixed until the Authority makes a further determination under Special Condition 8 (Opex Reassessment) at a subsequent Opex Reassessment.

26 For the avoidance of doubt:

a) ORAC and ORAF are forward-looking only and do not reopen or restate any Cap Level, Floor Level, Annual Assessment, or settlement for any earlier Relevant Year, except to the extent expressly provided for in Special Condition 8 (Opex Reassessment) or Special Condition 6 (Adjustments to licensee revenue); and

b) the treatment of decommissioning costs and any decommissioning change in law adjustments is governed by Special Condition 23 (Decommissioning) and the FSPR, and is not adjusted through ORAC or ORAF unless expressly provided for in those provisions.

Part E Calculation of the CPIH term

CPIH term

27 The value of $CPIH_t$ is calculated in accordance with the following formula:

$$\mathrm{CPIH}_t = \frac{\mathrm{UK\ CPIH_t}}{\mathrm{UK\ CPIH_{Base}}}$$

Where:

a) UK $CPIH_t$ = for:

(i) the first Relevant Year, the arithmetic average of the monthly CPIH index for the months in that Relevant Year, as identified by the Office for National Statistics;

(ii) the last Relevant Year, the arithmetic average of the monthly CPIH index for the months in that Relevant Year; and

(iii) all other Relevant Years, the 12-month arithmetic average of the monthly CPIH index; and

b) UK $CPIH_{Base}$ = means the 12-month arithmetic average of the monthly CPIH index for the 12 months that correspond to the Relevant Year in the Base Year (i.e., the Base Year's Financial Year months), as identified by ONS.

For the avoidance of doubt, cap and floor levels are indexed only by reference to outturn CPIH in accordance with this licence. No 'partial inflation indexation' or split annuity approach applies unless the Authority expressly directs otherwise and records that direction in the FSPR

Part F Calculation of the Partial Year adjustment factors

Partial Year Cap and Floor Adjustment Factors

28 The Partial Year Cap Adjustment Factor (PYC_t) adjusts the Cap Level to account for Partial Years in the first and last Relevant Years of the Regime Duration. PYC_t shall have a value of one in all other Relevant Years.

29 The Partial Year Floor Adjustment Factor (PYF_t) adjusts the Floor Level to account for Partial Years in the first and last Relevant Years in which the Floor Level is in force. PYF_t shall have a value of one in all other Relevant Years where the Floor Level is in force. PYF_t has a value of zero for any Relevant $Year_t$ that falls wholly within the Cap Only Period.

30 The values of PYC_t and PYF_t are calculated as follows:

a) For the first Relevant Year in which the Cap Level or Floor Level comes into force, the adjustment factor is:

$$\mathrm{PYC}_{t1} = \frac{\mathrm{NDC}}{365.25}$$

$$\mathrm{PYF}_{t1} = \frac{\mathrm{NDF}}{365.25}$$

Where NDC (Number of Days of Cap) and NDF (Number of Days of Floor) are the number of days from (and including) the day on which the Cap Level or Floor Level comes into force up to (and including) the last day of the first Relevant Year.

b) For the last Relevant Year in which the Cap Level or Floor Level is in force, the adjustment factor is:

$$\mathrm{PYC}_{t_{end}} = \frac{\mathrm{NDC}}{365.25}$$

$$\mathrm{PYF}_{t_{end}} = \frac{\mathrm{NDF}}{365.25}$$

Where NDC and NDF are the number of days from (and including) the first day of the last Relevant Year up to (and including) the day on which the Cap Level or Floor Level ceases to be in force.

Part G Interpretation

31 For the avoidance of doubt, the Cap Level and the applicable Floor Level may be adjusted only in accordance with this licence. Any such adjustment must be made only by a direction or determination under Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) or Special Condition 23 (Decommissioning), and by recording the resulting values in the FSPR in accordance with Special Condition 24 (Status of FSPR). Any equity sharing arrangement or revised project assessment takes effect only to the extent reflected in such direction or determination and the FSPR.

32 The calculation of the Cap Level and applicable Floor Level shall at all times take into account any Gearing Cap and financial resilience requirements as specified by the Authority including in this licence and FSPR.

Special Condition 4 Assessed Revenue and Revenue Netting

Purpose of this condition

1 The purpose of this Special Condition is to set out, for each Relevant Year, the calculation of the licensee's Assessed Revenue (AR_t), including the scope of Gross Revenue (GR_t), the treatment of Market Related Costs (MRC_t) and Non Controllable Operational Costs (NCC_t), and the requirements for revenue netting, timing and reporting.

Structure of this condition

2 This condition is structured as follows:

a) Part A: Calculation of Assessed Revenue.

b) Part B: Gross Revenue (GR_t).

c) Part C: Market Related Costs (MRC_t) and Optimiser Fees.

d) Part D: Non Controllable Operational Costs (NCC_t).

e) Part E: Adjustments.

f) Part F: ACOD Approach and Differential Tracking.

g) Part G: Information Reporting and Evidence.

h) Part H: Gross Margin Reporting.

i) Part I: Co-location.

Part A Calculation of Assessed Revenue

3 For each Relevant $Year_t$, the licensee's Assessed Revenue (AR_t) is calculated as:

$$ARt = GRt - MRCt - NCCt - IATt$$

Where:

a) AR_t = Assessed Revenue for Relevant $Year_t$;

b) GR_t = means, for any Relevant $Year_t$, the value determined in accordance with Part B (Gross Revenue);

c) MRC_t = Market Related Costs for Relevant $Year_t$;

d) NCC_t = Non Controllable Operational Costs for Relevant $Year_t$; and

e) IAT_t = the Income Adjusting Event term for Relevant $Year_t$, which has a value of zero unless and until the Authority determines an Income Adjusting Event under Special Condition 10 (Non Controllable Operational Costs).

For the avoidance of doubt, each of AR_t, GR_t, MRC_t, NCC_t and IAT_t are expressed in pounds sterling, nominal, for Relevant $Year_t$. Each term is determined and allocated to Relevant $Year_t$ on the basis set out in Special Condition 1 (Definitions and Interpretation). This includes the accrual basis, the proxy rules, and the once only rule. Each term is determined and allocated in accordance with

Special Condition 1 (Definitions and Interpretation) and in accordance with the RIGs (including as to any tax treatment).

Part B Gross Revenue

4 For each Relevant Year$_t$, Gross Revenue (GR_t) means the total revenue (including any value received, in cash or in kind and that is earned or collected including sales, fees, credits, and offsets) earned by or related to the Relevant LDES Facility or the Regulated Assets from all sources (including any such revenues made by any Associate and any revenues collected by any contractor (including any Optimiser)) before deduction of Market Related Costs, Non Controllable Operational Costs, or other adjustments, including:

a) electricity market revenues from wholesale, balancing and imbalance markets, including forward, day-ahead, intraday, balancing mechanism and imbalance settlement credits;

b) ancillary and system services revenues, including frequency response, reserve, black start, voltage or reactive support, and any other system services for which the Relevant LDES Facility is eligible;

c) Capacity Market revenues and any other revenues from capacity or availability arrangements for which the Relevant LDES Facility is eligible;

d) any non-market system revenues or compensation directly attributable to the Relevant LDES Facility's availability or dispatch in the electricity system, as specified by the Authority; and

e) any other revenue categories that the Authority may direct should be included as revenues for the purpose of Gross Revenue under the licence.

5 GR_t shall be recorded net of value added tax and other recoverable indirect taxes. It shall reflect credit notes, rebates, and retrospective corrections attributable to the Relevant Year$_t$ in accordance with paragraph 26. Where any revenue is settled or reported on a net basis, the licensee must report within GR_t the gross revenue amount attributable to the Relevant LDES Facility, with the corresponding fee or charge treated under MRC_t or NCC_t as applicable, so that each underlying item is included once only.

6 Revenues arising from co located assets or behind the meter configurations shall be included in GR_t to the extent allocated to the LDES Facility in accordance with Schedule C (Co-Location and Behind the Meter Generation). The licensee shall at all times comply with Schedule C (Co-Location and Behind the Meter Generation).

7 Revenues earned prior to the Regime Start Date are outside the scope of this condition unless the Authority directs otherwise. Where the Authority does so direct, it will give reasons and, in any direction, set out the manner in which revenues are to be treated.

Part C Market Related Costs and Optimiser Fees

Market Related Costs – General

8 For each Relevant Year$_t$, Market Related Costs (MRC_t) means the variable costs directly attributable to the operation of the Relevant LDES Facility in the electricity market, including but not limited to:

a) energy purchase costs for charging or operation, including imbalance charges and other energy-related settlement charges, and any deemed charging cost for Behind-the-meter Transfers calculated under Schedule C (Co-Location and Behind the Meter Generation);

b) fees and charges for participation in wholesale, balancing, ancillary services and Capacity Markets, including market participation fees, settlement charges and clearing charges;

c) Marginal Cycling Costs, including throughput-related wear and tear and other throughput-driven non-energy costs, calculated using the methodology directed by the Authority;

d) Optimiser Fees, subject to the caps and procurement requirements in this Special Condition and the FSPR; and

e) any other costs that the Authority specifies by direction as Market Related Costs for the Relevant LDES Facility.

The Authority may, in the RIGs or by direction, specify the detailed composition (including limits), categorisation, netting rules (including rebates/credits), and evidence requirements for Market Related Costs, and the licensee must comply with that specification.

9 Items that are fixed in nature, or not demonstrably variable with market participation, including corporate overheads, routine fixed maintenance, fixed staff costs and non-market compliance costs, are not admissible within MRC_t. Such costs shall be treated in accordance with Special Condition 10 (Non Controllable Operational Costs), or other applicable provisions as directed by the Authority. Market Related Costs (MRC_t) must vary with charging, discharging, trading or dispatch and must be determined and allocated to Relevant $Year_t$ in accordance with Special Condition 1 (Definitions and Interpretation). MRC_t must not include fixed operating costs, corporate overheads, routine fixed maintenance, fixed staffing, or non-market compliance costs, except to the extent the Authority directs otherwise.

10 The licensee must ensure that all Market Related Costs claimed under this licence are consistent with Good Industry Practice and standard market benchmarks. No Excluded Costs will be included. The Authority may require evidence, including documentation and independent verification, to confirm compliance with this requirement.

Optimiser Fees

11 Where an Optimiser is used, all revenues attributable to the Relevant LDES Facility must be reported gross in GR_t. This applies whether those revenues are received by the licensee, the Optimiser, or any other person.

12 Optimiser Fees must be treated as Market Related Costs. They must not be included in fixed opex unless the Authority agrees by direction and records that agreement in the FSPR.

13 The licensee must procure any Optimiser serviced in accordance with Special Condition 22 (Procurement) and any relevant requirements in the FSPR. This applies to appointment, renewal, extension and any material amendment.

14 The Optimiser Contract must not calculate, include, or pay Optimiser Fees by reference to any amount arising under Special Condition 6 (Adjustments to licensee revenue). Any such amount must be disregarded for the purposes of this licence. Any Optimiser Fee that is calculated or payable by reference to any amount under Special Condition 6 (Adjustments to licensee revenue) is an Excluded Cost.

15 For Relevant $Year_t$, the claimed Optimiser Fees (OF_t^{claim}) are the total Optimiser remuneration attributable to the Relevant LDES Facility for that Relevant Year. It must include:

a) any amount invoiced or charged to the licensee or any Associate;

b) any amount netted or deducted from market revenues or settlements;

c) any market revenue retained by the Optimiser under a tolling, availability, floor-plus-share, or similar structure;

d) any incentive, bonus, or performance fee; and

e) any margin or spread retained by the Optimiser in trades attributable to the Relevant LDES Facility.

16 Any refund, credit, clawback, liquidated damages or penalty payable by the Optimiser to the licensee that relates to Optimiser Fees must be netted off OF_t^{claim}.

17 The licensee must report Optimiser Fees using the gross-up approach required by this Part. The licensee must provide the Authority with the fee calculation, supporting settlement data, and procurement evidence in the form and by the date specified in the RIGs. In particular, the licensee must ensure that each Optimiser Contract contains audit and information rights sufficient for the Authority (and any person appointed by it) to obtain and verify, on a trade-by-trade and settlement-period basis, all transactions, revenues, costs, margins and spreads attributable to the Relevant LDES Facility (including where the Optimiser trades as principal or under a tolling or revenue share structure). Where the licensee cannot provide such information to the Authority on request (or where the Authority considers that the information provided is insufficient to verify Gross Revenues, Optimiser Fees or compliance with this Part of the licence), the Authority may determine notional values for GR_t and/or Optimiser Fees and may, to the extent attributable to that failure or deficiency, disallow some or all of the claimed Optimiser Fees from MRC_t.

Cap on Admitted Optimiser Fees

18 The following rules apply to Optimiser Fees:

a) A differentiated cap applies to Optimiser Fees.

b) Where the Optimiser is not an Associate or Related Undertaking, Optimiser Fees for Relevant $Year_t$ must not exceed y% of ORB_t.

c) Where the Optimiser is an Associate or Related Undertaking, Optimiser Fees for Relevant $Year_t$ must not exceed yRP% of ORB_t.

19 For Relevant $Year_t$:

$$OF_t^{cap} = Applicable\ Percentage \times ORBt$$

20 Where:

a) Applicable Percentage means

(i) y%, where the Optimiser is not an Associate or Related Undertaking; or

(ii) yRP%, where the Optimiser is an Associate or Related Undertaking,

where y% and yRP% are the percentages recorded in the FSPR.

b) ORB_t means, for Relevant $Year_t$, an amount not less than zero that is the lower of:

(i) the total revenue subject to the agreement with the Optimiser in Relevant $Year_t$; and

(ii) the sum of the following components of GR_t, each measured gross and before deduction of any cost:

(1) electricity market revenues (including forward, day-ahead, intraday, balancing mechanism and imbalance settlement credits);

(2) ancillary and system services revenues; and

(3) Capacity Market revenues,

and excluding:

(4) any non-market system revenues or compensation, unless the Authority directs otherwise;

(5) v. any amount arising under Special Condition 6 (Adjustments to licensee revenue); and

(6) vi. VAT and other recoverable indirect taxes.

21 Admitted Optimiser Fees:

a) $OF_t\hat{}adm = \min(OF_t\hat{}claim, OF_t\hat{}cap)$

22 Where

a) OF_t^{adm} means the Admitted Optimiser Fees for Relevant Yeart;

b) OF_t^{claim} means the claimed Optimiser Fees for Relevant Yeart; and

c) OF_t^{cap} means the applicable cap on Optimiser Fees for Relevant Yeart.

23 The Authority may set, update or replace y%, yRP% and and the methodology, revenue categories or evidence requirements for calculating ORB_t by direction and record the relevant parameters or methodology in the FSPR.. Any such direction may include conditions, evidence and assurance requirements. Only OF_t^{adm} may be included in MRCt. Any Optimiser Fees above OF_t^{adm} must not be included in MRC_t and must not reduce Assessed Revenue.

Marginal Cycling Costs

24 The licensee must compute Marginal Cycling Costs (MCC_t) in accordance with the methodology specified by the Authority in the RIGs or by direction. MCC_t must include only incremental non-energy costs that vary with charging and discharging of the Relevant LDES Facility in Relevant $Year_t$. In respect of Marginal Cycling Costs:

a) The methodology may use standard parameters or project-specific parameters specified in the RIGs or by direction for the purpose of estimating eligible non-energy costs, provided that such parameters do not result in double counting.

b) MCC_t must be calculated by reference to metered charge and discharge volumes, including any Behind-the-meter Transfers measured under Schedule C (Co-Location and Behind the Meter Generation) where relevant.

c) Save where the Authority otherwise permits (including via the RIGs or by specific direction), MCC_t must not include energy purchase costs for charging or auxiliary consumption.

d) Save where the Authority otherwise permits (including via the RIGs or by specific direction), MCC_t must not include any separate charge for energy losses, unless the

Authority directs a specific method that avoids double counting with energy purchase costs.

e) MCC_t must not include any item already included in any fixed opex allowance or adjustment under this licence, or any replacement expenditure allowance or adjustment recorded in the FSPR.

f) The licensee must keep records sufficient for the Authority to reproduce MCC_t and to demonstrate that no item is double counted with any other component of MRC_t or NCC_t. The records maintained under this paragraph must include the basis on which any material cost category has been classified and, where relevant, allocated between $MRCt$, $MCCt$ and $NCCt$.

Part D Non Controllable Operational Costs

25 The licensee shall calculate Non Controllable Operational Costs ($NCCt$) in accordance with Special Condition 10 (Non Controllable Operational Costs) and any directions given by the Authority under that condition.

Part E Adjustments

26 The calculation of GR_t (and its components) in this Special Condition is subject to the following adjustments:

a) Where market settlements relating to Relevant $Year_t$ are corrected after the Annual Cap and Floor RIGs Submission for that year, the licensee must reflect those corrections in the next Annual Assessment under Special Condition 5 (Cap and Floor Assessment), but allocated to Relevant $Year_t$ in accordance with Special Condition 1 (Definitions and Interpretation). Any administrative true up or discounting for timing differences must be applied only where directed and in accordance with Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue).

b) Any Excluded Cost must not be included in GR_t, MRC_t or NCC_t. Any receipt, credit, compensation, rebate, liquidated damages or other value that arises in connection with an Excluded Cost must be treated as Gross Revenue for the Relevant Year, unless the Authority directs that it is to be netted against a specified cost item, and any such direction must avoid double counting.

c) Where the Relevant LDES Facility is co-located with generation or load, or operates behind the meter, the licensee must attribute revenues, costs and offsets strictly in accordance with Schedule C (Co-Location and Behind the Meter Generation) and any related Authority directions. Any item not attributed to the Relevant LDES Facility in accordance with Schedule C (Co-Location and Behind the Meter Generation) must not be included in GR_t, MRC_t or NCC_t for the Relevant LDES Facility.

Part F ACOD Approach and Differential Tracking

27 This ACOD Differential account records the ACOD Differential balance for the Relevant LDES Facility. The balance reflects amounts of $Support_t$ credited to that account, less repayments made in accordance with Special Condition 6 (Adjustments to licensee revenue), and is adjusted on a net present value neutral basis in accordance with this Part F.

28 The ACOD Differential account does not form part of Assessed Revenue (AR_t) or Gross Revenue (GR_t). It is a notional tracking balance used only for settlement and repayment under Special Condition 6 (Adjustments to licensee revenue).

29 The ACOD Differential is maintained on a net present value neutral basis. Accordingly, the ACOD Differential is:

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

Where:

a) $ACODDiff_t$ means the closing ACOD Differential balance for Relevant $Year_t$.

b) $ACODDiff_{t-1}$ 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.

c) AF_t means the ACOD Differential Accrual Factor for Relevant Year t, calculated as:

$$AFt = UF(t-1)\ /UFt$$

where, for the first Relevant Year in which the Floor Level is in force, $AF_t = 1$, and UF_t and $UF_{(t-1)}$ have the meanings given in Special Condition 5 (Cap and Floor Assessment) Part E (Discounting).

d) $Support_t$ mean, for Relevant $Year_t$, the additional consumer support arising from the difference between the ACOD Floor Level and the Administrative Floor Level, calculated as:

$$Supportt = \max(0, FloorSupportACODt - FloorSupportAdmint)$$

where:

(i) $FloorSupportACOD_t$ means the amount determined under Special Condition 5 (Cap and Floor Assessment) for Relevant $Year_t$ by reference to $ACODFL_t$; and

(ii) $FloorSupportAdmin_t$ means the amount that would have been determined under Special Condition 5 (Cap and Floor Assessment) for the same Relevant $Year_t$ by reference to $AdminFL_t$, applying the same availability and settlement rules.

e) $Repay_t$ equals $ACODApplied_t$ for Relevant $Year_t$ as determined under Special Condition 6 Part E, and, save where the Authority directs otherwise, no amount shall be treated as $Repay_t$ unless and until it has been paid to the ESO or irrevocably netted under Special Condition 6 Part H.

The licensee must report $ACODDiff_t$, $Support_t$ and $Repay_t$ in the Annual Cap and Floor RIGs Submission, with supporting calculations and evidence, in accordance with the RIGs. The ACOD Differential balance shall be maintained on an NPV-neutral basis from the date each amount of $Support_t$ is treated as arising until the corresponding amount is repaid or irrevocably netted.

Part G Information Reporting and Evidence

30 The licensee shall report, for each Relevant $Year_t$, GR_t, MRC_t and NCC_t, together with:

a) a breakdown of revenue categories within GR_t, including ancillary services and system service revenues;

b) a breakdown of MRC_t by category, including energy purchases, settlement items, Marginal Cycling Costs and Optimiser Fees;

c) a breakdown of NCC_t as determined under Special Condition 10 (Non Controllable Operational Costs); and

d) any co location attributions under Schedule C (Co-Location and Behind the Meter Generation).

e) information demonstrating compliance with Special Condition 18 (Market Participation), including market participation, market qualification, and any material non-participation or materially limited participation, as specified in the RIGs.

31 The licensee shall provide supporting evidence, including settlement data, invoices, reconciliations and procurement documentation, and any independent certifications required by this Part G or by the Authority.

32 The Authority may, by direction and for stated reasons, require the licensee to obtain independent verification of any item that is reported or relied on under this Special Condition. In doing so, the Authority will have regard to proportionality, including materiality, risk, and expected cost. The direction must specify:

a) the item or items and the Relevant Year or period;

b) the questions to be addressed and the scope of work;

c) the required form of work and deliverables;

d) the timetable; and

e) any cost control requirements.

The certifier must meet the criteria for an Independent Certifier as defined in Schedule B. The licensee must bear the Independent Certifier's reasonable costs. The licensee may make written representations on scope or cost within ten Working Days of the direction, and the Authority may vary the direction. Nothing in this paragraph requires disclosure of legally privileged material, and redaction to preserve privilege is permitted where sufficient evidence remains for the verifier to complete the work.

Part H Gross Margin Reporting

33 The licensee must calculate and report, for each Relevant Year$_t$, the Gross Margin (GM_t) in the form and by the date specified in the RIGs. The Gross Margin formula is:

$$GM_t = GR_t - MRC_t - NCC_t$$

Where:

a) GR_t has the meaning given above in this Special Condition.

b) MRC_t has the meaning given above in this Special Condition.

c) NCC_t has the meaning given above in this Special Condition.

34 The licensee shall also calculate and report, for each Relevant Year, Gross Margin before Optimiser Fees, calculated as GM_t plus the Admitted Optimiser Fees included in MRC_t, in order to show the impact of Optimiser Fees on Gross Margin, in the form and by the date specified in the RIGs. The licensee must provide to the Authority a categorical breakdown of GM_t by revenue source (e.g. wholesale, balancing, ancillary services), by trading venue and instrument (e.g. forwards, day-ahead, intraday, balancing mechanism, options and other structured products), and by counterparty type, in the form and the extent specified in the RIGs.

Part I Co-Location

35 Where the Relevant LDES Facility is co-located or operates behind the meter, the licensee must comply with Schedule C (Co-Location and Behind the Meter Generation). All attribution, measurement and valuation of energy flows, revenues, costs and charges for the purposes of $GR_{t,}$ MRC_t, NCC_t and AR_t must be carried out in accordance with Schedule C (Co-Location and Behind the Meter Generation) and the RIGs. The licensee must install and maintain the metering and sub-metering required by Schedule C (Co-Location and Behind the Meter Generation).

Special Condition 5 Cap and Floor Assessment

Purpose of this condition

1 The purpose of this Special Condition is to set out how, for each Relevant Year and each Relevant Assessment Period, the Authority compares the licensee's Assessed Revenue (AR_t) with the Cap Level (CL_t) and the Floor Level.

2 Annual and periodic adjustments under this Special Condition are all cumulative and provisional. They are subject to reconciliation as per this licence.

3 This Special Condition defines comparison terms and net present value outcomes only. Payment and cash settlement are governed by Special Condition 6 (Adjustments to licensee revenue).

Structure of this condition

4 This condition is structured as follows.

a) Part A: Annual comparison of Assessed Revenue with Cap Level and Floor Level.

b) Part B: Conditional Floor Accrual and Low Availability Treatment.

c) Part C: Periodic Assessment and Final Regime Adjustment.

d) Part D: Net present Value Terms.

e) Part E: Discounting.

f) Part F: Relevant Years, Relevant Assessment Periods and Relevant Partial Assessment Periods.

Part A Annual Comparison of Assessed Revenue with Cap Level and Floor Level

Annual comparison terms

5 For each Relevant $Year_t$ this Part A defines terms that represent the revenue position at the Cap Level and at the applicable Floor Level. These terms are used in Part C and Part D of this Special Condition and in Special Condition 6 (Adjustments to licensee revenue).

6 For each Relevant $Year_t$ the Authority will compare Assessed Revenue (AR_t) with the Cap Level (CL_t) and the applicable Floor Level.

Assessed Revenue in Relevant Year exceeds the Cap Level

7 Where Assessed Revenue in any Relevant Year exceeds the Cap Level, this Part A defines the cap side outcome for that Relevant Year as follows:

a) The Revenue Excess at Cap in Relevant $Year_t$ is:

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

Where:

(i) $REAC_t$ means the amount by which Assessed Revenue exceeds the Cap Level in Relevant $Year_t$ and is zero if AR_t is less than or equal to CL_t;

(ii) CL_t has the meaning in Special Condition 3 (Cap Level and Floor Level); and

(iii) AR_t has the meaning in Special Condition 4 (Assessed Revenue and Revenue Netting).

b) The cap side outcome for Relevant $Year_t$ is:

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

Where:

(i) CapOutcome_t means the cap side outcome for Relevant $Year_t$ used in this Special Condition and in Special Condition 6 (Adjustments to licensee revenue);

(ii) SharingRate means the meaning given in Special Condition 1 (Definitions and Interpretation); and

(iii) $REAC_t$ has the meaning given above in this Part A.

Assessed Revenue in Relevant Year is below the Floor Level

8 Where Assessed Revenue in any Relevant Year is below the Floor Level, this Part A defines the floor side outcome for that year as follows:

a) Where the Administrative Floor Level applies:

(i) The Relevant Revenue at Floor in Relevant $Year_t$ is:

$$RRAF_{Admin,t} = Admin\ FL_t - FloorAR_t$$

Where:

(1) $Admin\ FL_t$ means the Floor Level for Relevant $Year_t$ calculated in accordance with Special Condition 3 (Cap Level and Floor Level); and

(2) $FloorAR_t$ means Assessed Revenue calculated under Special Condition 4 (Assessed Revenue and Revenue Netting) but only for transactions and allocations attributable to the period in Relevant $Year_t$ when the Floor Level is in force. In a Relevant Year where the Floor Start Date falls within the Relevant Year, $FloorAR_t$ must exclude items attributable to days before the Floor Start Date. In a year where the Floor Level ceases within the Relevant Year, $FloorAR_t$ must exclude items attributable to days after the Floor Level ceases.

(ii) The Revenue Shortfall at the Administrative Floor in Relevant $Year_t$ is:

$$RSAF_{Admin,t} = \max\left(RRAF_{Admin,t}, 0\right)$$

Where:

(1) $RSAF_{Admin,t}$ = the relevant Revenue Shortfall used in this Special Condition; and

(2) $RRAF_{Admin,t}$ = the Relevant Revenue at Floor for Relevant $Year_t$ calculated in accordance with this Part A; and

b) Where the ACOD Floor Level applies:

(i) The Relevant Revenue at Floor in Relevant $Year_t$ is:

$$RRAF_t = ACOD\ FL_t - FloorAR_t$$

Where:

(1) $ACOD\ FL_t$ means the applicable Floor Level for Relevant Year$_t$ calculated in accordance with Special Condition 3 (Cap Level and Floor Level); and

(2) FloorAR$_t$ means Assessed Revenue calculated under Special Condition 4 (Assessed Revenue and Revenue Netting) but only for transactions and allocations attributable to the period in Relevant Year$_t$ when the Floor Level is in force. In a Relevant Year where the Floor Start Date falls inside the Relevant Year, FloorAR$_t$ must exclude items attributable to days before the Floor Start Date. In a year where the Floor Level ceases inside the Relevant Year, FloorAR$_t$ must exclude items attributable to days after the Floor Level ceases.

(ii) The Revenue Shortfall at the ACOD Floor in Relevant Year$_t$ is:

$$RSAF_t = \max(RRAF_t, 0)$$

Where:

(1) $RSAF_t$ means the relevant Revenue Shortfall used in this Special Condition; and

(2) $RRAF_t$ means the Relevant Revenue at Floor for Relevant Year$_t$ calculated in accordance with this Part A; and

9 For each Relevant Year$_t$ the floor side outcome, FloorSupport$_t$, is:

a) equal to RSAF$_{(Admin,t)}$ where the Administrative Floor Level applies; or

b) equal to RSAF$_t$ where the ACOD Floor Level applies.

Where the Floor Level is not in force in Relevant Year$_t$, FloorSupport$_t$ is zero.

10 The Authority will use CapOutcome$_t$ and FloorSupport$_t$ when it determines any annual, periodic or final net present value outcomes under this Special Condition. Special Condition 6 (Adjustments to licensee revenue) uses those outcomes to determine any settlement amounts. If any value used to calculate AR$_t$, CapOutcome$_t$ or FloorSupport$_t$ for a Relevant Year$_t$ is corrected, reallocated or restated after the Annual Assessment for that year, the Authority will determine a restated AR$_t$, CapOutcome$_t$ and FloorSupport$_t$ for that same Relevant Year$_t$. The Authority will identify the change from the previous determination as a restatement delta for that Relevant Year$_t$. The cash effect of any restatement delta must be given effect only through Special Condition 6 (Adjustments to licensee revenue), with time value of money applied in accordance with that condition. Timing of the Annual Assessment for any relevant Year will be in line with the RIGs.

Part B Conditional Floor Accrual and Low Availability Treatment

Conditional Floor Accrual in MAT breach years

11 This Part B applies only in a Relevant Year$_t$ to the extent the Floor Level is in force in that Relevant Year. For the purposes of Part B, the availability test applies by reference to the period in Relevant Year$_t$ when the Floor Level is in force.

12 "FloorEAC$_t$" means the Equivalent Availability Calculation calculated in accordance with Special Condition 12 (Technical Capability, Availability and Floor Eligibility), but calculated only for the

period in Relevant $Year_t$ when the Floor Level is in force, using the same measurement basis, exclusions, and deeming rules as apply to EAC_t. Where the Floor Level is in force for the whole of Relevant $Year_t$, $FloorEAC_t$ equals EAC_t.

13 Where $FloorEAC_t$ is greater than or equal to the Minimum Availability Target (MAT_t), the Floor Level operates normally in Relevant $Year_t$.

14 If $FloorEAC_t$ is less than MAT_t in Relevant $Year_t$, then:

a) For a Relevant LDES Facility with a Balance Sheet Classification recorded in the FSPR, $FloorSupport_t$ is zero for that Relevant $Year_t$.

b) For a Relevant LDES Facility with a Project Finance Classification, where $FloorEAC_t$ is less than MAT_t in Relevant $Year_t$:

(i) subject to the 400 per cent cap on the Conditional Floor Accrual Balance set out in paragraph 17 of this Part B, the Floor Level remains in force for that Relevant Year for the purposes of this Special Condition;

(ii) the Floor side outcome for that Relevant Year is determined under Part A in the same way as for any other Relevant Year; and

(iii) the Conditional Floor Accrual for Relevant $Year_t$ ($CFAc_t$) equals $FloorSupport_t$ as determined under Part A (and using $FloorAR_t$ where applicable). In all other cases $CFAc_t$ is zero.

15 The licensee must maintain a Conditional Floor Accrual Balance for the Relevant LDES Facility as follows:

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

Where:

a) $CFAcBalancet$ means the closing Conditional Floor Accrual Balance for Relevant $Year_t$.

b) $CFAcBalance(t-1)$ means the closing Conditional Floor Accrual Balance for the prior Relevant Year and is zero for the first Relevant Year in which the Floor Level is in force.

c) $BAFt = UF(t-1)/UFt$

(i) Where UF_t has the meaning given in Part E.

For the first Relevant Year in which the Floor Level is in force, $BAF_t = 1$.

d) $CFAcAppliedt$ means any amount applied to reduce $CFAcBalance_{(t-1)}$ in accordance with Special Condition 6 (Adjustments to licensee revenue).

e) $CFAc_t$ means the amount of $FloorSupport_t$ determined for Relevant $Year_t$ under this Special Condition and credited to $CFAcBalance_t$ for the purposes of repayment in accordance with Special Condition 6 (Adjustments to licensee revenue).

16 $CFAcBalance_t$ does not form part of Assessed Revenue or Gross Revenue. It is not an additional receivable. It is a tracking balance used only to determine repayment obligations under Special Condition 6 (Adjustments to licensee revenue).

17 This paragraph applies only in a Relevant $Year_t$ where:

a) the Relevant LDES Facility has a Project Finance Classification recorded in the FSPR; and

b) $FloorEAC_t$ is less than MAT_t.

For that Relevant $Year_t$, the maximum permitted Conditional Floor Accrual Balance is:

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

Where $FloorSupport_t$ would otherwise be payable under Part A in that Relevant $Year_t$, $FloorSupport_t$ shall be limited to the lesser of:

c) the amount determined under Part A for that Relevant $Year_t$; and

d) $max(0, CFA\ Capt\ -\ CFAcBalance(t-1)\ \times BAFt)$.

Accordingly, $CFAc_t$ shall equal $FloorSupport_t$ as determined under this paragraph.

18 For the avoidance of doubt:

a) where $CFAcBalance_{(t-1)}$ is equal to or greater than CFA Cap_t, $FloorSupport_t$ and $CFAc_t$ shall each be zero for that Relevant $Year_t$; and

b) any portion of the Revenue Shortfall below FL_t in that Relevant $Year_t$ that is not payable as a result of this paragraph shall not be payable in any later Relevant Year and shall not give rise to any additional Conditional Floor Accrual.

19 The licensee must report $CFAc_t$ and $CFAcBalance_t$ in the Annual Cap and Floor RIGs Submission in the form specified in the RIGs.

Surplus Assessed Revenue and repayment trigger

20 For the purposes of applying repayment and priority rules under Special Condition 6 (Adjustments to licensee revenue), Surplus Assessed Revenue for Relevant $Year_t$ is:

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

Where:

a) SAR_t means the Surplus Assessed Revenue for Relevant $Year_t$;

b) $FloorAR_t$ has the meaning given in Part A and is zero where the Floor Level is not in force in any part of Relevant $Year_t$; and

c) FL_t means the applicable Floor Level for Relevant $Year_t$.

For the avoidance of doubt, SAR_t applies in any Relevant $Year_t$ in which the Floor Level is in force.

Part C Periodic Assessment and Final Regime Adjustment

Periodic Assessment

21 For each Relevant Assessment $Period_{ap}$ the Authority will determine the net present value cap and floor outcome for that period ($NPVOutcome_{ap}$).

22 In doing so, the Authority will:

a) use $CapOutcome_t$ and $FloorSupport_t$ determined under Part A and as modified by Part B and

b) use $WPAN_{ap}$ and the Discount Factors UF_t calculated under Part E.

23 $NPVOutcome_{ap}$ must be calculated in accordance with Part D.

24 Special Condition 6 (Adjustments to licensee revenue) uses $NPVOutcome_{ap}$ and the net present value of payments and recoveries already made for that period when it determines the end of period settlement amount.

Final Regime net present value outcome

25 At the end of the Regime Duration the Authority will determine the final regime net present value outcome (FinalNPVOutcome).

26 FinalNPVOutcome must be calculated in accordance with Part D.

27 Where a new Facility Assessment is triggered under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90), the Authority may adjust FinalNPVOutcome if it considers this necessary. It may record any adjustment in the FSPR.

28 Special Condition 6 (Adjustments to licensee revenue) uses FinalNPVOutcome, together with the net present value of payments and recoveries already made under Special Condition 6 (Adjustments to licensee revenue) and Special Condition 7 (Post Construction Adjustments), when it determines the Final Regime Adjustment settlement amount.

Part D Net Present Value Terms

29 For the purposes of this Special Condition, all net present value terms (below) are expressed in pounds sterling, nominal, as at the first day of the first Relevant Year of the Regime Duration, unless the Authority directs otherwise.

30 For the purposes of this Special Condition:

a) Cap side outcome net present value ($CapOutcomeN_{ap}$) is:

$$CapOutcomeN_{ap} = \sum_{\{t \in ap\}} (CapOutcome_t \times UF_t)$$

Where

(i) $CapOutcomeN_{ap}$ is the net present value of $CapOutcome_t$ over period ap.

(ii) $CapOutcome_t$ has the meaning given in Part A.

(iii) UF_t has the meaning given in Part E.

b) Floor side outcome net present value ($FloorSupportN_{ap}$) is:

$$FloorSupportN_{ap} = \sum_{t \in ap} (FloorSupport_t x\ UF_t)$$

Where:

(i) $FloorSupportN_{ap}$ is the net present value of $FloorSupport_t$ over period ap.

(ii) $FloorSupport_t$ has the meaning given in Part A.

(iii) UF_t has the meaning given in Part E.

c) Net present value outcome for period ap ($NPVOutcome_{ap}$) is:

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

Where:

(i) $NPVOutcome_{ap}$ is the net present value cap and floor outcome for period ap;

(ii) $\text{RepaymentN}_{ap} = \sum_{t \in ap}(\text{RepaymentAvailable}_t \times \text{UF}_t)$

(iii) $\text{RepaymentAvailable}_t$ has the meaning given in Special Condition 6 (Adjustments to licensee revenue) Part E (Consumer support repayment and priority) and is treated as arising at the end of Relevant Year_t for discounting using UF_t; and

(iv) $WPAN_{ap}$ has the meaning given below in this Part D.

d) Final Regime net present value outcome (FinalNPVOutcome) is:

$$FinalNPVOutcome = \sum(ap\ in\ Regime\ Duration)\ NPVOutcome_{ap}$$

Where:

$FinalNPVOutcome$ is the Final Regime net present value outcome.

Within Period Adjustment net present value ($WPAN_{ap}$)

31 A Within Period Adjustment may be determined for any Relevant LDES Facility, and only within a Relevant Partial Assessment Period that falls within a five-year Relevant Assessment Period (or such other Relevant Assessment Period length as is recorded in the FSPR for that Facility), in accordance with Special Condition 11 (Within Period Adjustment).

32 For a Relevant $\text{Assessment Period}_{ap}$ that contains any Within Period Adjustments, the Within Period Adjustment net present value, WPAN_{ap}, is the sum of those Within Period Adjustments for that period. Each Within Period Adjustment must be discounted using the Discount Factor UF_t that applies to the Relevant Year in which it is paid or recovered.

Part E Discounting

Operational Discount Rate

33 For a Relevant LDES Facility with a Project Finance Classification the Operational Discount Rate for Relevant Year_t (ODR_t) is equal to the arithmetic average of SONIA for that year (as calculated in line with the RIGs) plus the margin fixed at Financial Close directed by the Authority. The Authority may direct a different rate.

34 For a Relevant LDES Facility with a Balance Sheet Classification, the Operational Discount Rate for Relevant Year_t (ODR_t) shall be the nominal annual rate used to calculate the discount factor UF_t for the purposes of NPV-based operational assessments under this licence, determined in accordance with the methodology set out in the LDES Financial Model and Handbook applicable to the Relevant LDES Facility, unless the Authority directs otherwise. If no such figure has been published for the Relevant LDES Facility, ODR_t shall be the nominal equivalent of the mid-point of

the allowed cap and floor rates of return (real) set in the Financial Framework at FID, converted to nominal using the applicable inflation index for Relevant $Year_t$.

35 The Discount Factor for Relevant $Year_t$, UF_t, is:

$$UF_t = \prod_y \left[\frac{1}{\left(1 + ODR_y\right)^{\frac{DYy}{365.25}}} \right]$$

Where:

a) UF_t = is the discount factor that converts an amount expressed in pounds sterling, nominal, for Relevant $Year_t$, and treated as arising at the end of Relevant $Year_t$, into a nominal present value as at the first day of the first Relevant Year of the Regime Duration.

b) ODR_y is the Operational Discount Rate for Relevant $Year_y$ for the Relevant LDES Facility, determined in accordance with this Part E. ODR_y is a nominal annual rate.

c) DY_Y is the number of days in Relevant $Year_y$.

36 The product in paragraph 35 is taken over each Relevant $Year_y$ from the first Relevant Year of the Regime Duration up to and including Relevant $Year_t$.

Part F Relevant Years, Relevant Assessment Periods and Relevant Partial Assessment Periods

Relevant Years and Partial Years

37 Relevant Years and Partial Years are the same as in Special Condition 3 (Cap Level and Floor Level). Partial Year factors set out in Special Condition 3 (Cap Level and Floor Level) must be used in all calculations under this Special Condition where a Partial Year applies.

Relevant Assessment Periods and cadence by project type

38 The FSPR records the settlement cadence that applies for that Relevant LDES Facility for the purposes of Special Condition 6 (Adjustments to licensee revenue), including whether annual settlement applies by default or settlement occurs only at the end of each Relevant Assessment Period, and any direction that changes that cadence or applies annual settlement for specified Relevant Years.

39 If the Authority changes the length of the Relevant Assessment Period or the use of year level floor amounts for a Relevant LDES Facility, it must record that change in the FSPR before the change takes effect.

Relevant Partial Assessment Periods

40 Relevant Partial Assessment Periods may apply to any Relevant LDES Facility where the FSPR records that Relevant Partial Assessment Periods apply (including the number, length and timing of such periods), and are used for Within Period Adjustments under Special Condition 11 (Within Period Adjustment).

41 Relevant Partial Assessment Periods are used for Within Period Adjustments under Special Condition 11 (Within Period Adjustment). Any such Within Period Adjustments must be included in $WPAN_{ap}$ for the Relevant Assessment Period in accordance with this Special Condition.

Effect of Delay Events on periods

42 Where a Delay Event affects the timing or duration of any Relevant Year, any Relevant Assessment Period, or any Relevant Partial Assessment Period, the Authority will specify any revised periods in accordance with Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and may record any consequential changes in the FSPR.

Locked Box in Relevant Years

43 For the avoidance of doubt this Special Condition 5 (Cap and Floor Assessment) results in Relevant Year specific determinations and no cross-netting as follows:

a) AR_t, CL_t and FL_t are determined separately for each Relevant Year as above.

b) $CapOutcome_t$ and $FloorSupport_t$ are determined for each Relevant Year by reference to AR_t, CL_t and FL_t for that Relevant Year only.

c) $CapOutcome_t$ and $FloorSupport_t$ must not be netted, averaged, or reallocated between Relevant Years.

d) Any correction, restatement or true up that affects AR_t, CL_t and FL_t, $CapOutcome_t$ or $FloorSupport_t$ must be allocated to the Relevant Year to which it relates in accordance with Special Condition 1 (Definitions and Interpretation) and implemented through settlement under Special Condition 6 (Adjustments to licensee revenue).

Special Condition 6 Adjustments to licensee revenue

Purpose

1 The purpose of this Special Condition is to set out how adjustments to the licensee revenue are calculated and settled for each Relevant Year.

2 This condition gives effect to:

a) the outcomes of the Cap and Floor Assessment under Special Condition 5 (Cap and Floor Assessment);

b) the Cap Level and Floor Level terms set under Special Condition 3 (Cap Level and Floor Level); and

c) the adjustments determined under Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and Special Condition 10 (Non Controllable Operational Costs).

3 This condition provides for:

a) a single Annual Settlement Amount for each Relevant Year where annual settlement applies;

b) a single end of period settlement amount for each Relevant Assessment Period as an incremental true up of amounts already settled for that period;

c) a single Final Regime Adjustment at the end of the Regime Duration as an incremental true up of all prior settlements;

d) the cash settlement of Within Period Adjustments determined under Special Condition 11 (Within Period Adjustment) where the Authority so directs;

e) the inclusion, through Special Condition 5 (Cap and Floor Assessment), of Non Controllable Operational Costs pass through and any Income Adjusting Event determined under Special Condition 10 (Non Controllable Operational Costs);

f) the effect, through Special Condition 3 (Cap Level and Floor Level), of Post Construction Adjustments determined under Special Condition 7 (Post Construction Adjustments) and Opex Reassessment Adjustments determined under Special Condition 8 (Opex Reassessment);

g) the application of Administrative True Up and discounting for timing differences in accordance with Special Condition 5 (Cap and Floor Assessment); and

h) the provision of best estimate LDES Cap and Floor Settlement Amounts to the ESO.

4 This condition operates in three layers:

a) Part A turns the analytical outcome for Relevant Year$_t$ under Special Condition 5 (Cap and Floor Assessment) into a single net cash amount for that year where annual settlement applies. For projects with a Balance Sheet Classification, the timing of cash settlement for that year is determined by reference to the Relevant Assessment Period pattern recorded in the FSPR, unless the Authority directs otherwise.

b) Part B gives, for each Relevant Assessment Period, a single end of period settlement amount which is a net present value true up of the annual settlement amounts and any Within Period Adjustments already settled for that period.

c) Part B also gives, at the end of the Regime Duration, a single Final Regime Adjustment which is a net present value true up of all prior settlements so that the regime is net present value neutral across the Regime Duration.

5 In summary, Part A converts the analytical outcomes under Special Condition 5 into cash amounts where annual settlement applies, and Part BSpecial Condition 5Part B provides only net present value true-ups of those amounts; neither the end of period settlement nor the Final Regime Adjustment creates any new entitlement to a payment under the Cap Level or the Floor Level.

6 No payment is made under this condition except for:

a) Annual Settlement Amounts under Part A where annual settlement applies;

b) end of period settlement amounts under Part B;

c) the Final Regime Adjustment under Part B; and

d) Within Period Adjustments under Special Condition 11 (Within Period Adjustment) to the extent the Authority directs that they are to be settled in cash.

Structure of this condition

7 This condition is structured as follows:

a) Part A: Annual settlement for Relevant Years.

b) Part B: Periodic Assessment and Final Regime Adjustment settlement.

c) Part C: Settlement methodology.

d) Part D: Consumer support tracking, repayment and equity constraints.

e) Part E: Consumer support repayment and priority.

f) Part F: Backstop Delay Charge

g) Part G: BSUoS notifications.

h) Part H: Payment mechanics, netting, interest and disputes.

Part A Annual settlement for Relevant Years

Annual settlement amount for each Relevant Year

8 Following the conclusion of the Cap and Floor Assessment for Relevant $Year_t$ under Special Condition 5 (Cap and Floor Assessment), the cap side and floor side outcomes determined under that condition shall be used for the purposes of this Special Condition.

9 Where annual settlement applies for Relevant $Year_t$ in accordance with this Special Condition, the licensee and the ESO must determine a single Annual Settlement Amount for that Relevant Year. The "Annual Settlement Amount" for Relevant $Year_t$ (ASA_t) is the net amount that is payable between the licensee and the ESO for that Relevant Year as a result of the Cap and Floor

Assessment under Special Condition 5 (Cap and Floor Assessment). The Annual Settlement Amount formula is as follows for each Relevant Year$_t$:

$$ASA_t = FloorSupport_t - CapOutcome_t$$

Where FloorSupport$_t$ and CapOutcome$_t$ have the meaning in Special Condition 5 (Cap and Floor Assessment).

If ASA$_t$ is greater than zero, the ESO must pay ASA$_t$ to the licensee. If ASA$_t$ is less than zero, the licensee must pay the absolute value of ASA$_t$ to the ESO.

10 For each Relevant LDES Facility, whether Project Finance Classification or Balance Sheet Classification, annual settlement applies only if the settlement cadence recorded in the FSPR provides for annual settlement for that Relevant Year (or the Authority directs that annual settlement applies for that Relevant Year and records that direction in the FSPR).

11 An Annual Settlement Amount must be determined and settled for a Relevant Year only where annual settlement applies for that Relevant Year in accordance with the settlement cadence recorded in the FSPR (or as otherwise directed by the Authority and recorded in the FSPR). Cash payments or receipts under this Special Condition will normally occur only at the end of each Relevant Assessment Period, unless the Authority directs that an Annual Settlement Amount or a Within Period Adjustment is to be settled in cash for a particular Relevant Year. Any such direction must be recorded in the FSPR.

12 Where annual settlement does not apply in a given Relevant Year, no Annual Settlement Amount is determined, and no payment is due, under this Part A for that year. The cap and floor outcomes for that year under Special Condition 5 (Cap and Floor Assessment) must still be taken into account in the net present value outcomes under Part B of this Special Condition.

13 The Annual Settlement Amount for Relevant Year$_t$ must reflect, as applicable for that Relevant Year:

a) Market Related Costs and Non Controllable Operational Costs through Assessed Revenue under Special Condition 4 (Assessed Revenue and Revenue Netting) and Special Condition 10 (Non Controllable Operational Costs);

b) any Income Adjusting Event term determined under Part D (Income Adjusting Event term (IATt)) of Special Condition 10 (Non Controllable Operational Costs);

c) any RepaymentAvailable$_t$ payable by the licensee for that Relevant Year under Part E must be settled and netted under Part H, but must not be included in ASA$_t$;

d) any decommissioning legislative change amount determined as per Special Condition 23 (Decommissioning) where directed to apply in year$_t$; and

e) any Partial Year adjustments under Special Condition 3 (Cap Level and Floor Level).

ASA$_t$ is determined under paragraph 9. Any RepaymentAvailable$_t$ is determined under Part E and is netted from ASA$_t$ under Part H.

14 Annual Settlement Amounts are provisional. They are subject to end of period and Final Regime true ups under Part B of this Special Condition. Where any Annual Assessment determination under Special Condition 5 (Cap and Floor Assessment) for a Relevant Year t is corrected, restated, reconciled or reallocated after ASA$_t$ for that year has been settled, the difference between: (a) the restated ASA$_t$ and (b) the ASA$_t$ already settled must be settled as a Restatement Adjustment in the next settlement event under this Special Condition. The Restatement Adjustment must include time value of money from the original settlement date to the date the Restatement Adjustment is

settled, calculated using the Administrative True Up Rate (ATR) unless the Authority directs otherwise. Any change in $RepaymentAvailable_t$ resulting from the same correction, restatement, reconciliation or reallocation must be settled under Part E in the next settlement event, with time value of money calculated on the same basis unless the Authority directs otherwise. Where annual settlement does not apply for Relevant Year t, the next settlement event is the end of period settlement event for the Relevant Assessment Period that contains that Relevant Year, unless the Authority directs an earlier settlement.

Part B Periodic Assessment and Final Regime Adjustment settlement

End of period adjustment and settlement

15 At the end of each Relevant Assessment $Period_{ap}$ the Authority will determine an end of period settlement amount under this Part. In doing so the Authority will use the net present value terms:

a) $NPVOutcome_{ap}$ as determined under Special Condition 5 (Cap and Floor Assessment); and

b) the Discount Factors UF_t.

16 For each Relevant Assessment $Period_{ap}$ the Authority will determine $NPVPaid_{ap}$, being the net present value of all amounts paid or recovered in cash that are attributable to Relevant Years within ap under this Special Condition and Special Condition 11 (Within Period Adjustment). $NPVPaid_{ap}$ includes only cash amounts that have been settled before the end of period settlement for ap, being:

a) any Annual Settlement Amounts settled under Part A for Relevant Years within ap;

b) any Restatement Adjustments settled under Part A that are attributable to Relevant Years within ap;

c) any Within Period Adjustments settled in cash under Special Condition 11 (Within Period Adjustment) that are attributable to Relevant Years within ap; and

d) any $RepaymentAvailable_t$ amounts settled under Part E that are attributable to Relevant Years within ap.

Each such amount must be allocated to the Relevant Year to which it relates in accordance with Special Condition 1 (Definitions and Interpretation) and discounted using UF_t for that Relevant Year. Any time value of money applicable to any Administrative True Up Adjustment (including any Restatement Adjustment) shall be applied only in accordance with paragraph 14 using the Administrative True Up Rate, unless the Authority directs otherwise (and always without any double counting). For the avoidance of doubt, $NPVPaid_{ap}$ is calculated from the component amounts in 16a) to d) (as allocated to Relevant Years), even though those components are netted to a single cash amount under Part H at each settlement event. For the avoidance of doubt, $NPVPaida_p$ (and NPVPaidFinal) excludes any Backstop Delay Repayment Amounts paid. For the purposes of $NPVPaid_{ap}$ and NPVPaidFinal, amounts paid by the ESO to the licensee are treated as positive amounts and amounts paid by the licensee to the ESO are treated as negative amounts.

17 The end of period settlement amount for $_{ap}$ is the cash amount that is required so that, when it is included in $NPVPaid_{ap}$ on a net present value basis consistent with Special Condition 5 (Cap and Floor Assessment), $NPVPaid_{ap}$ equals $NPVOutcome_{ap}$. This is calculated as follows:

a) $SettleYear_{t(ap)}$ is the Relevant Year in which the end of period settlement amount for ap is paid, as directed by the Authority.

b) $UFSettle_{(ap)}$ means UF_t for $SettleYear_{t(ap)}$ calculated in accordance with Special Condition 5 (Cap and Floor Assessment) Part E.

c) $NPVPaid_{ap}$ is calculated before, and excludes, the end of period settlement amount being determined under this Part.

d) The end of period settlement amount for ap, expressed as a cash amount payable at settlement, is:

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

If $EOPSettlement_{ap}$ is greater than zero, the ESO must pay $EOPSettlement_{ap}$ to the licensee. If $EOPSettlement_{ap}$ is less than zero, the licensee must pay the absolute value of $EOPSettlement_{ap}$ to the ESO.

18 The end of period settlement amount must not reapply the cap and floor calculation for that period in full. It must only top up or claw back the difference between:

a) the $NPVOutcome_{ap}$; and

b) the $NPVPaid_{ap}$, calculated in accordance with the preceding paragraph.

19 The licensee and the ESO must settle a single net amount arising from the end of period settlement amount. Settlement must follow the timetable set out in the Authority's direction for that determination.

20 Where a Relevant Assessment Period consists of a single Relevant Year, the end of period settlement amount must only adjust for timing differences, Within Period Adjustments and any other items identified in the Authority's determination.

Final Regime Adjustment and settlement

21 At the end of the Regime Duration the Authority will determine a Final Regime Adjustment under this Part B, using FinalNPVOutcome determined under Special Condition 5 (Cap and Floor Assessment). The Authority will also determine NPVPaidFinal. NPVPaidFinal means the net present value of all amounts paid or recovered in cash before the Final Regime Adjustment is settled. Those amounts are:

a) all Annual Settlement Amounts settled under Part A;

b) all Restatement Adjustments settled under Part A;

c) all end of period settlement amounts settled under this Part B;

d) all Within Period Adjustments settled in cash under Special Condition 11 (Within Period Adjustment);

e) all $RepaymentAvailable_t$ amounts settled under Part E; and

f) any other amounts the Authority directs are to be taken into account,

each such amount must be allocated to a Relevant Year and discounted using UF_t for that Relevant Year. For an end of period settlement amount, the Relevant Year is the Relevant Year in which that end of period settlement amount is paid.

22 The Final Regime Adjustment is calculated as follows:

a) SettleYearFinal is the Relevant Year in which the Final Regime Adjustment is paid, as directed by the Authority.

b) UFFinal means UF_t for SettleYearFinal calculated in accordance with Special Condition 5 Part E.

c) NPVPaidFinal is calculated before, and excludes, the Final Regime Adjustment being determined under this Part.

d) The Final Regime Adjustment, expressed as a cash amount payable at settlement, is:

$$FinalRegimeAdjustment = \frac{(FinalNPVOutcome - NPVPaidFinal)}{UFFinal}$$

Where the Authority directs that payment of the Final Regime Adjustment occurs after the end of SettleYearFinal, that later payment date does not of itself give rise to any Administrative True Up Adjustment.

23 The Final Regime Adjustment is the incremental amount needed so that the cumulative net present value of all payments and recoveries under this Special Condition is equal to the FinalNPVOutcome required by Special Condition 5 (Cap and Floor Assessment) for the Regime Duration.

24 The licensee and the ESO must settle a single net amount arising from the Final Regime Adjustment. Settlement must follow the timetable set out in the Authority's direction for that determination.

Part C Settlement methodology

25 The licensee must establish and maintain a Licensee Revenue Adjustment Methodology in a form approved by the Authority.

26 The Licensee Revenue Adjustment Methodology must ensure compliance with this licence and set out, as a minimum:

a) how the licensee calculates ASA_t for each Relevant Year, including the derivation of $FloorSupport_t$ and $CapOutcome_t$ and the application of the Sharing Rate;

b) how the licensee calculates $RepaymentAvailable_t$, $CFAcApplied_t$ and $ACODApplied_t$ for each Relevant Year and how those amounts are included in the netting required by Part H;

c) how the licensee identifies and calculates any Restatement Adjustment under paragraph 14, including any restated $RepaymentAvailable_t$, and how those amounts are included in the next settlement event and netted under Part H;

d) how the licensee determines $NPVPaid_{ap}$ for each Relevant Assessment Period, including the Relevant Year attribution of each settled cash amount in accordance with Special Condition 1 (Definitions and Interpretation) and discounting using UF_t for that Relevant Year;

e) how the licensee calculates $EOPSettlement_{ap}$ as a cash amount at settlement, including the determination of $SettleYear_{t(ap)}$, $UFSettle_{(ap)}$;

f) how the licensee determines NPVPaidFinal, including the Relevant Year attribution of each settled cash amount in accordance with Special Condition 1 (Definitions and Interpretation) and discounting using UF_t for that Relevant Year;

g) how the licensee calculates FinalRegimeAdjustment as a cash amount at settlement, including the determination of SettleYearFinal, UFFinal;

h) the timing profile specified by the Authority for payments or recoveries under this Special Condition; and

i) how Partial Year adjustments and indexation effects required by Special Condition 3 (Cap Level and Floor Level) are applied.

27 The licensee must apply the approved methodology when calculating the amounts notified for settlement under this Special Condition. The licensee must keep the methodology up to date in line with any direction issued by the Authority.

28 The licensee must notify the ESO of each net amount payable under this Special Condition and provide a supporting schedule. The schedule must show each component amount and how it has been attributed to Relevant Years and discounted, including any Administrative True Up adjustment. The form and timing are as specified in the RIGs.

Part D Consumer support tracking, repayment and equity constraints

29 The licensee must establish, maintain and comply with a methodology, in a form approved by the Authority, for calculating and reporting:

a) the Conditional Floor Accrual, $CFAc_t$, for MAT breach years in respect of a Relevant LDES Facility with a Project Finance Classification, and the cumulative CFAc balance outstanding, calculated in line with Special Condition 5 (Cap and Floor Assessment);

b) the ACOD Differential balance applicable to projects with a Project Finance Classification under Schedule A (ACOD Floor Level Schedule) and Special Condition 4 (Assessed Revenue and Revenue Netting);

c) any repayment term for CFAc or ACOD Differential balance directed by the Authority under this licence; and

d) any Financial Safeguards or escrow arrangement directed by the Authority for amounts to be held in reserve for the purposes of tracking consumer support and enforcing the repayment priority.

30 The methodology under paragraph 29 must:

a) calculate and report each balance and each repayment on:

(i) a nominal basis for Relevant $Year_t$ for the purposes of applying the formulae in Special Condition 5 (Cap and Floor Assessment) and Part E of this Special Condition; and

(ii) a net present value basis for reporting and reconciliation, using the Discount Factors UF_t (and therefore ODR_t) determined in accordance with Special Condition 5 (Cap and Floor Assessment);

b) ensure that repayments from surpluses above the applicable Floor Level are applied in priority first to reduce the CFA_c balance and then to reduce the ACOD Differential balance to zero before any Equity Distribution in accordance with Part E (Consumer support repayment and priority);

c) provide for Financial Safeguards or escrow, where directed by the Authority, and specify the treatment of funds credited or debited to such accounts for the purposes of paragraph 29d);

d) set out the reconciliation process needed so that the Authority's end of period and Final Regime determinations under Special Condition 5 (Cap and Floor Assessment) achieve cumulative net present value neutrality; and

e) set out how $RepaymentAvailable_t$, $CFAcApplied_t$ and $ACODApplied_t$ (each as defined in Part E) are applied and reported, including that $RepaymentAvailable_t$ is taken into account in the netting of amounts due between the licensee and the ESO under Part H for the settlement event that relates to Relevant $Year_t$.

31 All submissions and supporting schedules for this Part must be prepared and provided in line with the RIGs.

32 The licensee must include the calculations and balances under paragraph 29 in its Annual Cap and Floor RIGs Submission.

33 Balances, repayments and any Financial Safeguards disclosures under this Part must be prepared and provided in line with the RIGs.

34 For a Relevant LDES Facility with a Project Finance Classification:

a) the licensee must identify for each Relevant $Year_t$ any amount of Surplus Assessed Revenue which is to be applied to reduce any positive Conditional Floor Accrual Balance;

b) for each Relevant $Year_t$, any amount applied to reduce the Conditional Floor Accrual Balance must be determined as $CFAcApplied_t$ under Part E of this Special Condition and applied to CFAcBalance in accordance with Special Condition 5 (Cap and Floor Assessment) Part B.

c) The Conditional Floor Accrual Balance is calculated and maintained in accordance with Special Condition 5 (Cap and Floor Assessment) Part B.

35 For the avoidance of doubt, neither the Conditional Floor Accrual Balance nor the ACOD Differential balance is a receivable from the ESO or from consumers, and neither forms part of Assessed Revenue, Gross Revenue or Licensee Revenue. They are notional tracking balances used only to govern the priority and calculation of repayments from Surplus Assessed Revenue under this Special Condition.

Part E Consumer support repayment and priority

36 For the avoidance of doubt, although the Conditional Floor Accrual Balance and the ACOD Differential balance are not themselves receivables, this Special Condition imposes a payment obligation on the licensee in Relevant Years where Assessed Revenue exceeds the applicable Floor Level.

37 For the purposes of this condition, in any Relevant $Year_t$, Surplus Assessed Revenue for Relevant $Year_t$ means SAR_t as determined under Special Condition 5 (Cap and Floor Assessment).

38 Where, in any Relevant $Year_t$, there is Surplus Assessed Revenue and there is an outstanding Conditional Floor Accrual Balance or ACOD Differential balance immediately prior to that Relevant Year, the licensee must apply that Surplus Assessed Revenue in priority to reduce those balances. This works as set out in the paragraph below.

39 Unless the Authority directs otherwise, Surplus Assessed Revenue for Relevant Year$_t$ is applied first to reduce the Conditional Floor Accrual Balance and then to reduce the ACOD Differential balance. As such and for the purposes of this Part E:

a) AF_t is the ACOD Differential Accrual Factor, having the meaning given in Special Condition 4 (Assessed Revenue and Revenue Netting) Part F (ACOD Approach and Differential Tracking).

b) ACODDue$_t$ means the ACOD Differential amount due in Relevant Year$_t$ after applying the accrual factor, calculated as:

$$ACODDuet = ACODDiff(t-1) \times AFt$$

$ACODDiff(t-1)$ has the meaning given in Special Condition 4 (Assessed Revenue and Revenue Netting) Part F.

For the avoidance of doubt, ACODDue$_t$ excludes Support$_t$ for Relevant Year$_t$, because Support$_t$ (if any) is added to ACODDiff$_t$ under Special Condition 4 Part F and therefore does not form part of the opening balance ACODDiff$_{(t-1)}$ on which ACODDue$_t$ is calculated.

c) BAF_t is the Balance Accrual Factor and has the meaning given in Special Condition 5 (Cap and Floor Assessment) Part B.

d) CFAcDue$_t$ means the Conditional Floor Accrual Balance due in Relevant Year$_t$ after applying the balance accrual factor (BAF_t), calculated as:

$$CFAcDuet = CFAcBalance(t-1) \times BAFt$$

$CFAcBalance(t-1)$ has the meaning given in Special Condition 5 (Cap and Floor Assessment) Part B.

e) AdjustedSAR$_t$ means:

$$AdjustedSAR_t = \max(SAR_t - CapOutcomet, 0)$$

f) RepaymentAvailable$_t$ means:

$$RepaymentAvailable_t = \min(AdjustedSAR_t, CFAcDuet + ACODDue_t)$$

g) CFAcApplied$_t$ means:

$$CFAcAppliedt = min(RepaymentAvailablet, CFAcDuet)$$

ACODApplied$_t$ means:

h) $$ACODApplied_t = \min(RepaymentAvailable_t - CFAcAppliedt, ACODDue_t)$$

i) For the purposes of Special Condition 5 (Cap and Floor Assessment), CFAcApplied$_t$ is the amount applied in Relevant Year$_t$ to reduce the rolled-forward Conditional Floor Accrual Balance calculated under Special Condition 5 (Cap and Floor Assessment) Part B.

j) For the purposes of Special Condition 4 (Assessed Revenue and Revenue Netting) Part F (ACOD Approach and Differential Tracking), Repay$_t$ equals ACODApplied$_t$.

40 In the circumstances described in this Part E, the licensee must pay to the ESO, as part of the settlement for Relevant Year$_t$ under this condition, an amount equal to RepaymentAvailable$_t$. For the avoidance of doubt, no amount shall be treated as reducing (and no credit shall be taken for

the purposes of) CFAcBalance or ACODDiff unless and until that amount has been paid to the ESO or has been irrevocably netted under Part H at the relevant settlement event.

Pending such payment or irrevocable netting, any repayment amount that has been calculated or determined remains outstanding and:

a) does not reduce CFAcBalance or ACODDiff for any purpose (including reporting and compliance); and

b) does not lift any Distribution/Equity Distribution restriction that depends on those balances (including Special Condition 12 (Technical Capability, Availability and Floor Eligibility) Part G and Special Condition 17 (Financial Resilience) Part D (ACOD Floor)).

41 Any payment made under paragraph 40:

a) is a repayment of amounts previously credited to the Conditional Floor Accrual Balance or the ACOD Differential balance;

b) must not be treated as Gross Revenue, Assessed Revenue or Licensee Revenue;

c) must not be treated as Revenue Excess at Cap; and

d) must be made before any Equity Distribution is made.

42 Any portion of the Conditional Floor Accrual Balance or the ACOD Differential balance that is not repaid under paragraph 40 must be carried forward and remains subject to repayment under this condition in each subsequent Relevant Year in which Assessed Revenue exceeds the applicable Floor Level.

43 The Authority will determine, for each Relevant Year, the existence and amount of any Surplus Assessed Revenue and the amount payable under paragraph 40, and such determination is binding for the purposes of settlement under this Special Condition.

Part F Backstop Delay Charge

44 This Part applies where the FSPR records a Backstop Delay Factor (BDF) greater than zero for the Relevant LDES Facility and the Authority has determined (and recorded in the FSPR) that PCR Cost Baseline exceeds P50.

45 For each Relevant $Year_t$, the Backstop Delay Charge amount BDC_t is:

$$BDC_t = BDF \times FloorSupport_t$$

Where:

a) BDF is as recorded in the FSPR; and

b) $FloorSupport_t$ has the meaning given in Special Condition 5 (Cap and Floor Assessment) (and is zero where the Floor Level is not in force).

46 For the avoidance of doubt:

a) BDC_t is zero unless and until $FloorSupport_t$ is greater than zero, so no Backstop Delay Charge arises unless $FloorSupport_t$ is greater than zero in that Relevant Year; and

b) BDC_t does not reduce $FloorSupport_t$ in that year and is not netted against any $FloorSupport_t$. It is instead tracked and repaid only in accordance with paragraphs below.

47 The licensee must maintain a Backstop Delay Repayment Balance as follows:

$$BDBalance_t = (BDBalance_{(t-1)} \times BAF_t) + BDC_t - BDRepay_t$$

Where:

a) $BDBalance\ (t-1)$ is zero for the first Relevant Year in which the Floor Level is in force.

b) $BAFt = UF(t-1)/UFt$

UF_t has the meaning given in Special Condition 5 (Cap and Floor Assessment) Part E.

For the first Relevant Year in which the Floor Level is in force, BAF_t is 1.

c) BDC_t, has the meaning given in paragraph 45 of this Part F.

d) $BDRepay_t$ has meaning given in paragraph 50 of this Part F.

48 Backstop Delay repayment only occurs in Relevant Years in which the Floor Level is in force and Surplus Assessed Revenue (SAR_t) is greater than zero, and only after application of the consumer support repayment hierarchy in Part E (Consumer support repayment and priority).

49 The amount available in Relevant $Year_t$ for backstop delay repayment is:

$$\text{BDSurplusAvailable}_t = \max(0, SAR_t - CapOutcome_t - RepaymentAvailable_t)$$

Where SAR_t and CapOutcome_t are defined in Special Condition 5 (Cap and Floor Assessment) and $\text{RepaymentAvailable}_t$ is as defined in this Special Condition Part E of this Special Condition.

50 BDDuet means the Backstop Delay Repayment Balance due in Relevant Yeart after applying the Balance Accrual Factor, calculated as:

$$BDDuet = BDBalance(t-1) \times BAFt$$

51 The Backstop Delay Repayment Amount for Relevant $Year_t$ is:

$$BDRepay_t = \min(BDDuet, BDSurplusAvailable_t)$$

52 Paragraphs 49 and 50 ensure that BDRepay_t is payable only from surplus above the Floor Level (after giving effect to CapOutcome_t and $\text{RepaymentAvailable}_t$) and therefore must not cause the licensee's revenue retained for Relevant $Year_t$ to fall below the applicable Floor Level.

53 The licensee must pay to the ESO an amount equal to BDRepay_t as part of the settlement for Relevant $Year_t$ under this Special Condition.

54 Any amount of Backstop Delay Repayment Balance not repaid in a Relevant Year remains outstanding and carries forward to subsequent Relevant Years, and may be repaid only in accordance with this Part F in any later Relevant Year where $\text{BDSurplusAvailable}_t$ is greater than zero.

55 No amount shall be treated as reducing the Backstop Delay Repayment Balance unless and until it has been paid to the ESO or irrevocably netted under Part H (Payment mechanics, netting, interest and disputes).

56 At any time when the Backstop Delay Repayment Balance is greater than zero (after giving effect only to repayments that have been paid or irrevocably netted), the licensee must not make any Distribution or Equity Distribution referable to the Relevant LDES Facility.

57 Any Backstop Delay Charge (BDC_t) and any Backstop Delay Repayment Amount ($BDRepay_t$):

a) must not be treated as Gross Revenue, Assessed Revenue or Licensee Revenue;

b) must not be treated as Revenue Excess at Cap; and

c) are outside the net present value neutrality settlement framework in Special Condition 5 (Cap and Floor Assessment) and Part B of this Special Condition and must not be included in $NPVPaid_{ap}$, NPVPaidFinal, $NPVOutcome_{ap}$ or FinalNPVOutcome.

58 For the avoidance of doubt, this paragraph does not prevent the Backstop Delay Repayment Balance from being maintained using BAFt for the purposes of this Part F.

59 The licensee must report BDBalancet, BDCt and BDRepayt in the Annual Cap and Floor RIGs Submission in the form specified in the RIGs, with supporting calculations and evidence.

60 For the avoidance of doubt, any obligation to repay a Backstop Delay Repayment Balance shall persist after the Regime End Date and during the Post Regime Duration Period and shall be settled in accordance with this Special Condition 6.

Part G BSUoS notifications

61 The purpose of this Part G is to set out when the licensee must provide estimates of the LDES Cap and Floor Settlement Amount (LCF_b) to the ESO and the Authority for BSUoS purposes.

62 In the first BSUoS Reporting Year that falls partly or wholly within the Regime Duration, the licensee must, as soon as reasonably practicable:

a) notify the ESO of its best estimate of LCF_b for that BSUoS Reporting Year; and

b) notify the ESO of its best estimate of LCF_{b+1}.

63 In each BSUoS Reporting Year after the first, the licensee must, on or before the date specified in the CUSC (or such other date as the Authority may direct):

a) notify the ESO of its latest best estimate of LCF_b; and

b) notify the ESO of its latest best estimate of LCF_{b+1}.

64 The licensee must keep the estimates notified under paragraphs 62 and 63 under review. If the licensee reasonably considers that the value of LCF_b or LCF_{b+1} will be materially different from an estimate previously notified, it must notify the ESO of the revised value as soon as reasonably practicable.

65 In each BSUoS Reporting Year after the first, the licensee must, on or before the date specified in the CUSC (or such later date as the Authority may direct), provide a statement to the Authority that specifies:

a) the values of LCF_b and LCF_{b+1} notified to the ESO in the BSUoS Reporting $Year_{b-1}$ under paragraph 62 or 63; and

b) any revised values of LCF_b and LCF_{b+1} notified to the ESO in the BSUoS Reporting $Year_{b-1}$ under paragraph 63.

66 For the purposes of this Part:

a) BSUoS Reporting Year means a year beginning on 1 April and ending on 31 March. LCFb is based on the dates amounts are expected to be paid or recovered, regardless of the Relevant Year attribution;

b) BSUoS Reporting $Year_b$ means that BSUoS Reporting Year for which the estimate is given;

c) BSUoS Reporting $Year_{b-1}$ means the BSUoS Reporting Year immediately preceding BSUoS Reporting $Year_b$;

d) Regime Duration has the meaning given in Special Condition 1 (Definitions and Interpretation);

e) LCF_b means the licensee's best estimate of the net amount expected to be paid in BSUoS Reporting $Year_b$ between the licensee and the ESO under this Special Condition 6 (Adjustments to licensee revenue);

f) LCF_b is positive where the licensee expects the ESO to pay the licensee a net amount in that year;

g) LCF_b is negative where the licensee expects it will pay the ESO a net amount in that year; and

h) the estimate of LCF_b must reflect the settlement cadence recorded in the FSPR and the licensee's best estimate of which settlement events will occur in BSUoS Reporting $Year_b$ under this licence.

67 The licensee must use the outcomes determined under Special Condition 5 (Cap and Floor Assessment) when preparing those estimates and statements in the form and by the dates specified in this Part and the RIGs.

Part H Payment mechanics, netting, interest and disputes

68 For each settlement event under Part A to Part F, the licensee and the ESO must net all amounts due between them (including, where applicable, ASA_t, any $RepaymentAvailable_t$, any Backstop Delay Repayment Amount ($BDRepay_t$), any Restatement Adjustment, any end-of-period settlement amount, any Final Regime Adjustment, any Within Period Adjustment settled in cash, and any interest) into a single net amount payable by one to the other.

69 The paying party must pay the net amount within the period specified in the Authority's direction. If no period is specified, the paying party must pay the net amount within thirty calendar days after the date of the relevant invoice.

70 The licensee must issue invoices in the form and with the content specified in the RIGs. The ESO must provide such counterparty statements as are specified in the RIGs.

71 The Authority may direct that the payment timetable aligns with the ESO's BSUoS billing and settlement timetable. A direction under this paragraph may be given in the RIGs or by separate written direction.

72 For the avoidance of doubt, any Residual Value approved and recorded in the FSPR affects Cap Level and Floor Level only through Special Condition 3 (Cap Level and Floor Level) and does not of itself give rise to any payment or adjustment under this Special Condition 6 (Adjustments to licensee revenue).

73 If the licensee or the ESO identifies a manifest error in an invoice or a counterparty statement, it must notify the other party promptly with details. The licensee and the ESO must cooperate to

correct the manifest error. Any resulting underpayment or overpayment must be corrected in the next settlement event, together with any administrative true up directed by the Authority.

74 Any dispute under this Special Condition must be notified within fifteen Working Days of the disputed invoice or counterparty statement, together with reasons and supporting detail. Any undisputed amount remains payable by the due date. The licensee and the ESO must use reasonable endeavours to resolve the dispute promptly. The Authority may determine the disputed amount.

Special Condition 7 Post Construction Adjustments

Purpose

1 The purpose of this condition is to set the process for determining the values of the Post Construction Adjustment terms for the Relevant LDES Facility.

2 The Post Construction Adjustment (PCA) terms are:

a) the Post Construction Adjustment at Cap (PCAC);

b) where applicable, the Post Construction Adjustment at Administrative Floor (PCAAF-Admin); and

c) where applicable, the Post Construction Adjustment at ACOD Floor (PCAAF).

3 The PCA terms:

a) Are adjustments, up or down, to the Cap Level term and the Administrative Floor Level term and or the ACOD Floor Level term, as applicable.

b) Align the cap and floor levels with the Authority's assessment at the Post Construction Review of the costs of developing, constructing, operating, maintaining, financing and decommissioning the Relevant LDES Facility.

c) Represent the difference between:

(i) the Authority's estimate of those costs used to set the Preliminary Cap Level, the Preliminary Administrative Floor Level and or the Preliminary ACOD Floor Level, as applicable; and

(ii) the Authority's assessment at the Post Construction Review stage of the economic, efficient and effective outturn costs of those activities.

4 Determination of PCA values uses LDES CFFM1 in accordance with this licence. The PCA values take effect for ongoing calculations by being recorded in the FSPR and applied from the effective date stated in the Authority's direction, including through any updates to, or use of, LDES CFFM2 if and when it is published and specified as applicable. The updates are described in the LDES Cap and Floor Financial Model handbook and in any guidance issued by the Authority under Special Condition 13 (Cap and Floor Financial Model Governance).

Structure

5 This condition is structured as follows:

a) Part A: Submission and timing

b) Part B: Information and model governance

c) Part C: Determination and values

d) Part D: Publication, effect and reconciliation

e) Part E: Interpretation.

Part A Submission and timing

PCA trigger and submission window

6 The licensee must submit a request to the Authority that sets out the proposed values for the PCA terms, with supporting information.

7 The licensee must submit this request at the date that is the earliest of:

a) a date on which:

(i) between eighty-five per cent and ninety-five per cent of development and construction expenditure has been committed, excluding interest during construction and any snagging retention; and

(ii) the licensee can demonstrate that remaining scope, prices, and claims risk are not material, in accordance with evidence standards in the RIGs, excluding interest during construction and any snagging retention;

b) the Full Commissioning Date;

c) any other date agreed in writing by the Authority under paragraph 8.

8 The licensee may ask the Authority in writing to agree an earlier or later submission date than the dates in paragraph 7.

9 Any such request must meet both of the following tests.

a) the licensee must provide supporting evidence for submitting outside the dates in paragraph 7; and

b) (save where the Authority agrees otherwise) any risks from contingency, unspent costs or future variations must sit with the licensee.

10 The Authority may agree a different submission date after considering a request under paragraph 8.

11 The licensee must give the Authority at least six months' written notice that it intends to submit proposed values for the PCA terms for determination under this condition.

Part B Information and model governance

Content and standards of submission

12 The submission under paragraph 6 must include all the information required in the RIGs. The Authority may also issue guidance setting out other information sought. The guidance may specify the information to be provided by the licensee. It may specify the format and content of the submission, the areas to be covered, and the type of information and evidence to be provided.

Part C Determination and values

Review and completeness

13 The Authority will review the information submitted under Part B. Within three months of receipt, the Authority will notify the licensee in writing that:

a) it has received all the information that it needs to make a determination; or

b) it has not received all the information that it needs and what further information is required.

14 The Authority will only start its determination of the proposed PCA values once, in its opinion, the submission meets the requirements of any guidance issued under paragraph 12.

15 Where the Authority has requested further information under paragraph 13b), the licensee must provide that information within one month of the request.

16 The twelve month period for determination under paragraph 19 stops on the date of any request for further information under paragraph 13b). It restarts on the date of a further notification under paragraph 13a).

Consultation

17 Before it completes its determination under paragraph 19, the Authority will consult with the licensee and any other relevant parties.

18 The Authority will determine each PCA term by rerunning the applicable LDES Cap and Floor Financial Model using the construction cost input required by Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) (including any PCR Cost Baseline and AdjustedCost values recorded in the FSPR) and by comparing the resulting model output with the corresponding model output used at regime award. Each PCA term equals the rerun output minus the award output, expressed in the same price base and on the same basis as the relevant preliminary level term

Determination of PCA values

19 Subject to paragraph 16, the Authority will, within twelve months from the date of a notification under paragraph 13a), determine whether the licensee's proposed values for the PCA terms meet all of the following tests:

a) the proposed values and inputs do not include any Excluded Costs;

b) the proposed values have been calculated in line with LDES CFFM1 and this licence;

c) the construction cost input used for the purposes of calculating the PCA terms is consistent with the cost baseline and pass through rules in Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90), including any determination of PCR Cost Baseline and AdjustedCost (and any associated parameters) recorded in the FSPR; and

d) the proposed values do not include any upward adjustment for costs above P90 except to the extent those costs are included in FMPT in accordance with Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90).

20 In applying paragraph 19, the Authority will have regard to the following:

a) costs up to P90 are eligible for inclusion in the PCR Cost Baseline only to the extent they are not Excluded Costs;

b) costs above P90 are treated only in accordance with the Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) mechanism, and any Force Majeure pass through amount (if any) determined under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90); and

c) where Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) Part F applies (Forecast to Complete), the Authority will apply that Part and any subsequent reconciliation before or as part of setting or revising the PCA terms.

21 If the licensee's proposed values for the PCA terms do not meet the tests in paragraph 19, the Authority will do all of the following:

a) Identify the parts of the submission that are ineligible, inefficient and state the reasons.

b) Set out alternative treatments and explain why they are in line with paragraph 19, including (where applicable) by applying Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) to determine the PCR Cost Baseline and AdjustedCost inputs used for the model rerun.

c) Provide updated values of the PCA terms that reflect those alternative treatments, including any rerun of the applicable LDES Cap and Floor Financial Model using the resulting AdjustedCost input.

22 As soon as reasonably practicable after it has completed its determination, the Authority will direct in writing the values of the PCA terms. The direction must also state the key Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) cost values used for the rerun (including PCR Cost Baseline and AdjustedCost) or state that those values are as recorded in the FSPR. These directed values are, for the purposes of Special Condition 3 (Cap Level and Floor Level), the values of PCAC, PCAAF-Admin and PCAAF (as applicable) used in the calculation of the Cap Level and Floor Level. The direction must specify the date from which the values take effect. That date must not be earlier than the Regime Start Date.

23 Where any event or circumstance falls within Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90), the Authority will apply that condition. Any determination under Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) that affects the PCA terms must be recorded in the FSPR and reconciled in line with Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90).

Part D Publication, effect and reconciliation

Recording and effect

24 The Authority may:

a) record the directed PCA values (PCAC, PCAAF-Admin and PCAAF as applicable) and the Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) cost values used for the determination (including PCR Cost Baseline and AdjustedCost, where applicable) in the FSPR;

b) update model governance records in line with Special Condition 13 (Cap and Floor Financial Model Governance), including creating or updating LDES CFFM2 where needed for ongoing regime calculations and reconciliations; and

c) notify the licensee of the effective dates in a way that is consistent with Special Condition 2 (Application of these Special Conditions).

25 The directed PCA values take effect through the cap and floor formulae in Special Condition 3 (Cap Level and Floor Level).

26 The directed PCA values must be applied in the first Relevant Year that the Authority specifies in its direction.

27 Any payments or recoveries that arise from PCA impacts must be effected under Special Condition 6 (Adjustments to licensee revenue).

28 Administrative True Up Adjustments are handled under Special Condition 6 (Adjustments to licensee revenue). Discounting and net present value reconciliation are handled under Special Condition 5 (Cap and Floor Assessment) and Special Condition 6, using the Discount Factors (UF_t), where applicable.

29 Nothing in this condition changes the treatment of Opex Reassessment under Special Condition 8 (Opex Reassessment) or the treatment of DCCt and DCFt under Special Condition 23 (Decommissioning).

Part E Interpretation

Terms used in this condition

30 Any Residual Value recorded in the FSPR is taken into account for PCA only through the model inputs and outputs used under Special Condition 3 (Cap Level and Floor Level). It must not be applied as a separate adjustment to any PCA term.

31 Where the Authority has approved a non-zero residual value the calculation of PCA and the related reporting must be adjusted to reflect that Residual Value.

Special Condition 8 Opex Reassessment

Purpose

1 The purpose of this condition is to set the process for determining the values of the Opex Reassessment Adjustment terms for the Relevant LDES Facility. These terms are:

a) the Opex Reassessment Adjustment at Cap (ORAC);

b) where applicable, the Opex Reassessment Adjustment at Administrative Floor (ORAAF-Admin); and

c) where applicable, the Opex Reassessment Adjustment at ACOD Floor (ORAAF). Each Opex Reassessment Adjustment term is expressed in Base Year Prices (real) and is applied through the formulae in Special Condition 3 (Cap Level and Floor Level).

2 Opex Reassessment is forward looking only. It updates the Cap Level term and the applicable Floor Level term from the effective date of the Authority's direction. It does not retrospectively change values determined at Post Construction Review under Special Condition 7 (Post Construction Adjustments).

Structure of this condition

3 This condition is structured as follows:

a) Part A: Eligibility, cadence and notice

b) Part B: Information and model governance

c) Part C: Review, consultation and determination

d) Part D: Publication, effect and reconciliation

e) Part E: Interpretation

Part A Eligibility, cadence and notice

Eligibility and cadence

4 Opex Reassessment may be initiated by the licensee or by the Authority, subject to the timing rules in this Part A. Any request or notice initiating an Opex Reassessment must specify a proposed effective date. Any Opex Reassessment direction must specify an effective date. Unless the Authority directs otherwise, the effective date shall be the first day of a Relevant Year.

5 The effective date of the first Opex Reassessment direction must not be earlier than the tenth anniversary of the Regime Start Date.

6 The effective date of any subsequent Opex Reassessment direction must not be earlier than the tenth anniversary of the effective date of the immediately preceding Opex Reassessment direction. The Authority may direct a longer interval.

7 This condition applies in the same way to projects with a Project Finance Classification and projects with a Balance Sheet Classification. The Authority determines, in accordance with Special Condition 3 (Cap Level and Floor Level) and the FSPR, whether the applicable floor side Opex Reassessment Adjustment term for the Relevant LDES Facility is ORAAF-Admin or ORAAF. The applicable term must be recorded in the FSPR.

Notice of intention to submit

8 The licensee must give the Authority not less than six months' written notice of its intention to submit a request for Opex Reassessment. The notice must state the proposed effective date required by paragraph 4.

9 The Authority may initiate an Opex Reassessment by giving the licensee written notice and specifying the intended timetable. The notice must state the proposed effective date required by paragraph 4.

Part B Information and model governance

Content of submission

10 Where the licensee submits a request, the submission must include:

a) the proposed values for ORAC and, as applicable, ORAAF-Admin and/or ORAAF, expressed in Base Year Prices (real) using the Base Year recorded in the FSPR;

b) confirmation that the proposed values have been calculated using the LDES CFFM2 applicable to the Opex Reassessment (including any model specified by the Authority for that purpose), and on inputs consistent with the FSPR; and

c) such supporting information (including (where applicable) evidence of compliance with Special Condition 22 (Procurement)), breakdowns, reconciliations and evidence as are specified in the RIGs or otherwise directed by the Authority, sufficient to enable the Authority to assess the request.

11 The Opex Reassessment Adjustment must include only fixed operating expenditure. Any items that vary with market participation must be treated as Market Related Costs (MRC_t) under Special Condition 4, and Non Controllable Operational Costs must be treated under Special Condition 10. Excluded Costs (and any costs previously disallowed by the Authority) must not be included.

Model governance and parameters

12 The licensee must use LDES CFFM2 for Opex Reassessment calculations. It must apply the Authority approved base year and project parameters recorded in the FSPR and must comply with Special Condition 13 (Cap and Floor Financial Model Governance) for any structural changes to the Model.

13 The Authority may issue guidance that specifies the format and content of submissions under this condition. The guidance may set out the areas to be covered and the type of information and evidence to be provided.

14 The Authority may issue guidance that specifies opex cost classification, evidence standards and assurance requirements. The licensee must calculate proposed ORAC and, as applicable, ORAAF-Admin and or ORAAF using LDES CFFM2 in accordance with that guidance and must identify any departures from the model in its submission.

Part C Review and determination

Review and completeness

15 The Authority will notify the licensee in writing within three months of receipt if it has not received all the information required and what further information is required.

16 The Authority will only start its determination of the appropriateness of the licensee's proposed values for the Opex Reassessment Adjustment terms if, in its opinion, the licensee's submission meets the requirements of any guidance issued under paragraph 13 or paragraph 14.

17 Where the Authority has requested further information under paragraph 15, the licensee must provide that information within one month of the request.

18 The twelve month period for determination under paragraph 19 is paused on the date on which the Authority requests further information under paragraph 15 and resumes on the date on which the Authority issues a notification under paragraph 16.

Determination of Opex Reassessment values

19 Subject to paragraph 18, the Authority will, within twelve months from the date of a notification under paragraph 15, determine whether the licensee's proposed values for ORAC and, as applicable, ORAAF-Admin and/or ORAAF:

a) include only eligible fixed opex costs and exclude Excluded Costs; and

b) have been calculated using LDES CFFM2 and in accordance with this licence, and are expressed in Base Year Prices (real) using the Base Year recorded in the FSPR.

20 If the licensee's proposed values do not meet the conditions specified in paragraph 19, the Authority may:

a) identify the parts of the submission that are ineligible, inefficient or not in accordance with LDES CFFM2 and state the reasons;

b) set out alternative treatments and explain why it considers those treatments to be in accordance with paragraph 19; and

c) provide updated values of the Opex Reassessment Adjustment terms that reflect those alternative treatments.

21 After it has completed its determination, the Authority may direct in writing the values of ORAC and, as applicable, ORAAF-Admin and/or ORAAF, and the effective date from which each directed value applies for the purposes of Special Condition 3 (Cap Level and Floor Level). The direction must state that the directed values are expressed in Base Year Prices (real) using the Base Year recorded in the FSPR.

Part D Publication, effect and reconciliation

Recording and effect

22 The Authority may:

a) record the directed Opex Reassessment Adjustment values in the FSPR;

b) update model governance records in accordance with Special Condition 13 (Cap and Floor Financial Model Governance), including updating LDES CFFM2 where appropriate for ongoing regime calculations; and

c) notify the licensee of the effective dates for the directed values in a way that is consistent with Special Condition 2 (Application of these Special Conditions).

23 Until directed under this condition, ORAC, ORAAF-Admin and ORAAF each have value zero.

24 The directed Opex Reassessment Adjustment values take effect through the Cap and Floor formulae in Special Condition 3 (Cap Level and Floor Level). They must be applied in the first Relevant Year that the Authority specifies in its direction.

25 Payments or recoveries that arise from Opex Reassessment impacts must be effected under Special Condition 6 (Adjustments to licensee revenue).

26 Administrative true ups and discounting for timing differences are handled under Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue), using the Discount Factors.

27 Nothing in this condition alters the treatment of any decommissioning legislative change adjustments under Special Condition 23 (Decommissioning) or the governance of Market Related Costs under Special Condition 4 (Assessed Revenue and Revenue Netting).

Part E Interpretation

Terms used in this condition

28 Reporting, assurance and audit requirements for submissions under this condition are governed by the RIGs issued under Special Condition 20 (RIGs) and by Special Condition 14 (Information, Reporting and Audit), and any assurance requirements directed by the Authority.

29 Where a non-zero Residual Value is approved by the Authority under Special Condition 3 (Cap Level and Floor Level), the calculation of Opex Reassessment and the related reporting must be adjusted in a way that is consistent with the residual value method set out in that condition.

30 The determination and application of Opex Reassessment values under this condition must take into account any Gearing Cap and financial resilience requirements that the Authority specifies.

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

Purpose and scope

1 This condition sets out the process for and consequences of:

a) delay to achieving Full Commissioning Date, including delay caused by an event of Force Majeure; and

b) construction cost outcomes relative to the P50 and P90 cost scenarios recorded in the FSPR, including underspends and overruns, whether or not caused by Force Majeure.

2 This condition applies in addition to Special Condition 3 (Cap Level and Floor Level), Special Condition 7 (Post Construction Adjustments) and the FSPR.

3 This condition does not change the method for calculating Assessed Revenue under Special Condition 4 (Assessed Revenue and Revenue Netting).

4 This condition also provides for reconciliation where Post Construction Review occurs before all construction costs are finally known or settled.

Structure of this condition

5 This condition is structured as follows:

a) Part A: Interaction with other Special Conditions and Schedules

b) Part B: Notice, submissions, and evidence

c) Part C: Authority review and determination

d) Part D: Treatment of delay and delivery dates

e) Part E: Treatment of construction cost outcomes at Post Construction Review

f) Part F: Reconciliation where costs emerge after Post Construction Review

g) Part G: Representations and appeals

Part A Interaction with other Special Conditions and Schedules

6 Any revised dates directed under Part D of this Special Condition must be recorded in the FSPR.

7 Any cost determinations directed under Part E and Part F must be recorded in the FSPR.

8 Any Post Construction Adjustment terms determined as a result of Part E and Part F, including PCAC and the applicable PCAAF term, must be directed under Special Condition 7 (Post Construction Adjustments), recorded in the FSPR, and applied through the Cap Level and Floor Level formulae in Special Condition 3 (Cap Level and Floor Level).

Part B Notice, submissions, and evidence

9 If the Relevant LDES Facility has not achieved Full Commissioning Date by the Target Delivery Date, the licensee must submit a mitigation plan to the Authority.

10 The mitigation plan must be submitted within twenty Working Days after the Target Delivery Date.

11 The mitigation plan must:

a) describe the Delay Event and its causes (including which are within the licensee's control);

b) set out the actions taken and planned to mitigate the delay, including an updated programme to Full Commissioning Date;

c) set out the licensee's revised milestones and forecast Full Commissioning Date;

d) include an updated forecast of Total Forecast Facility Costs and any risk of exceeding P50 or P90; and

e) include such governance, reporting and supporting information as is specified in the RIGs or otherwise directed by the Authority, including in relation to key constraints (such as consents, grid works, procurement and supply chain).

Force Majeure advance notice requirement

12 A Force Majeure event is only taken into account for the purposes of:

a) time relief under Part D; and

b) Force Majeure cost relief under Part E,

if the licensee complies with paragraphs 9 to 17.

13 The licensee must give an initial Force Majeure notice to the Authority as soon as reasonably practicable after becoming aware that a Force Majeure event has occurred, or that such an event is imminent and is reasonably likely to affect the licensee's ability to comply with any obligation under this licence.

14 The notice under paragraph 13 must be given no later than ten Working Days after the date the licensee became aware, or ought reasonably to have become aware, of the potential Force Majeure event.

15 The notice under paragraph 13 must, so far as reasonably practicable, be given before the licensee commits to, or incurs, material additional expenditure that is primarily driven by the event of Force Majeure.

16 Paragraph 15 does not prevent the licensee from committing to, or incurring, material additional expenditure before giving notice where the licensee reasonably considers that the expenditure is urgent or necessary to protect safety, preserve the Relevant LDES Facility, comply with a Legal Requirement, or mitigate the consequences of the Force Majeure event. In those circumstances, the licensee must give the notice under paragraph 13 within two Working Days after committing to, or incurring, the expenditure and must explain why advance notice was not reasonably practicable.

17 Failure to comply with paragraphs 9 to 16 means the Authority will not take the event into account for the purposes set out in paragraph 12, unless it is satisfied that:

a) the failure did not materially prejudice its ability to assess causation, mitigation, and cost attribution; and

b) the licensee acted consistently with Good Industry Practice.

Force Majeure application

18 Where the licensee considers that a Delay Event is attributable to a Force Majeure event, it must submit a Force Majeure application.

19 The licensee must submit the Force Majeure application at the same time as any Delay Notice given under Special Condition 26 (Obligation to achieve the Full Commissioning Date) in respect of the same Delay Event, unless the Authority directs otherwise. For the avoidance of doubt, this paragraph 19 does not remove or defer the obligation to give an initial Force Majeure notice under paragraphs 12 to 17.

20 The Force Majeure application must include:

a) evidence that the event meets the Force Majeure definition in this licence;

b) evidence that the event is beyond the reasonable control of the licensee;

c) evidence of mitigation and management consistent with Good Industry Practice;

d) a critical path assessment that identifies the delay attributable to the event;

e) the best estimate, minimum plausible, and maximum plausible delay in days; and

f) confirmation of compliance with paragraphs 12 to 15, or an explanation and supporting evidence where paragraph 16 applies or where the licensee contends that paragraph 17 should apply.

Backstop breach submission

21 Where Full Commissioning Date is forecast to occur after the Backstop Date, the licensee must submit a notice (a "**Backstop Breach Submission**").

22 The Backstop Breach Submission must be submitted within one month of the licensee becoming aware that Full Commissioning Date is forecast to fall after the Backstop Date.

23 The Backstop Breach Submission must:

a) set out the updated programme and critical path to Full Commissioning Date (including the updated commissioning plan and mitigation steps);

b) state whether the licensee considers the delay to be attributable to Force Majeure;

c) explain any interaction with construction costs, including any implications for the Total Forecast Facility Costs and any risk of exceeding P50 or P90; and

d) include such supporting information and evidence as is specified in the RIGs or otherwise directed by the Authority.

Cost forecast notices

24 The licensee must notify the Authority as soon as reasonably practicable after becoming aware that Total Forecast Facility Costs are likely to exceed the P50 estimate recorded in the FSPR.

25 The licensee must notify the Authority as soon as reasonably practicable after becoming aware that Total Forecast Facility Costs are likely to exceed the P90 estimate recorded in the FSPR.

26 Each notice under paragraphs 24 and 25 must include:

a) the latest forecast of Total Forecast Facility Costs;

b) the P50 and P90 values recorded in the FSPR;

c) a breakdown of cost drivers;

d) the portion the licensee considers attributable to Force Majeure, if any;

e) procurement evidence and contract evidence then available; and

f) the best estimate, minimum plausible, and maximum plausible forecast.

Construction cost evidence for Post Construction Review

27 The licensee must submit evidence of costs for Post Construction Review in accordance with Special Condition 7 (Post Construction Adjustments) and any guidance issued by the Authority.

28 Without limiting paragraph 27, the submission must include:

a) a reconciliation from P50 and P90 to costs submitted for Post Construction Review;

b) a cost ledger and supporting invoices and certificates to date;

c) contract summaries and change control records;

d) a procurement evidence pack in line with FSPR;

e) identification of any items that may be Excluded Costs;

f) identification of any items the licensee claims are attributable to a Force Majeure event, with evidence under paragraphs 29 to 32;

g) where Post Construction Review occurs before all costs are finally known or settled, a Forecast to Complete in accordance with Part F.

Force Majeure cost attribution evidence

29 Where the licensee claims that a cost item is attributable to a Force Majeure event, it must provide a notice (a "**Cost Attribution Statement**") to the Authority for that cost item. The Cost Attribution Statement must relate to a Force Majeure event that has occurred, or that is continuing and has first affected delivery or cost for the Relevant LDES Facility. The Cost Attribution Statement must be given as soon as reasonably practicable after the relevant cost item is identified. It must, so far as reasonably practicable, be given before the licensee commits to, or incurs, that cost item.

30 The Cost Attribution Statement must include:

a) the causal link between the Force Majeure event and the cost item;

b) a cost estimate for the event and a counterfactual estimate of cost without the event;

c) a revised Forecast to Complete;

d) evidence of mitigation and management consistent with Good Industry Practice;

e) programme evidence linking the event to the relevant cost driver; and

f) evidence that the advance notice requirement in paragraphs 12 to 16 was met for the relevant event, or that paragraph 17 should apply.

31 The Authority may require independent assurance including technical and cost reports in respect of any cost attribution statement.

32 The Authority may reject a Force Majeure cost attribution claim where it is not supported by adequate evidence.

Part C Authority review and determination

Review and requests for further information

33 This Part C applies to any notice, submission, or application given under Part B. The Authority may determine whether an event constitutes Force Majeure for the purposes of this Special Condition. Any determination under this paragraph is a determination of event status and delay attribution only. Any construction cost treatment, including the application of Excluded Costs and any FMPT, is only determined at Post Construction Review only under Part E and Part F.

34 The Authority may at any time request further information from the licensee that it reasonably requires to exercise its functions under this Special Condition.

35 Where the Authority makes a request under paragraph 34, the licensee must provide the requested information as soon as reasonably practicable, or by such date as the Authority may specify.

36 Any period of time for the Authority to take an action, issue a notification, or make a determination under this Special Condition is suspended during any period in which a request under paragraph 34 remains outstanding.

Force Majeure applications

37 Where the licensee submits a Force Majeure application under Part B, the Authority will notify the licensee in writing whether, in the Authority's opinion:

a) the Authority has received the information it needs to determine the application; or

b) the Authority requires further information and what further information is required.

38 Save where the Authority directs that any longer duration is required, the Authority will make its determination on a Force Majeure application within six months from the date of the notification given under paragraph 37a).

39 When making a determination under paragraph 38, the Authority may consider:

a) whether the event meets the Force Majeure definition in this licence;

b) whether the licensee has provided evidence of mitigation and management consistent with Good Industry Practice;

c) whether the critical path assessment and delay attribution evidence are adequate; and

d) whether the advance notice requirement in paragraphs 13 to 16 has been complied with; and if not, whether the Authority is satisfied that paragraph 17 applies.

40 The Authority will give its Force Majeure determination in writing and must include reasons. The determination is for the purposes of time relief under Part D. Such determination may state whether the event constitutes Force Majeure for the purposes of this Special Condition and, if so,

the number of days of delay to Full Commissioning Date that the Authority determines are attributable to that event. The determination does not determine the allowability, attribution or pass through of any construction costs, including any FMPT. The Authority may, in the same notice, provide an indicative view on the evidence and causation for costs that the licensee claims are attributable to the Force Majeure event. Any such view is non-binding and without prejudice to the Authority's treatment of costs at Post Construction Review under Part E and Part F and Special Condition 7 (Post Construction Adjustments).

41 The Authority may record the Force Majeure determination in the FSPR.

Cost review for Post Construction Review and reconciliation

42 When reviewing costs submitted for Post Construction Review under Special Condition 7 (Post Construction Adjustments), and for the purposes of Part E and Part F of this Special Condition, the Authority may take into account:

a) whether any cost item is an Excluded Cost;

b) where a Forecast to Complete is used, whether that forecast is reasonable and supported by evidence; and

c) where Force Majeure cost relief is claimed, whether the Force Majeure cost attribution evidence is adequate and whether the advance notice requirement in Part B has been complied with.

At Post Construction Review, when considering the actual costs incurred and evidenced, the Authority may take into account any estimate or counterfactual estimate previously provided by the licensee in a Cost Attribution Statement for the relevant Force Majeure event, including any provisional values provided in accordance with Special Condition 1 (Definitions and Interpretation). Any such estimate is indicative only. It is one factor among others. It does not bind the Authority. The Authority will determine the allowability, attribution and pass through of construction costs only at Post Construction Review in accordance with Part E and Part F and Special Condition 7 (Post Construction Adjustments)

43 The Authority may require the licensee to provide independent assurance in relation to any matter in paragraph 42, including a technical report or a cost report.

Draft view and representations

44 Before finalising any determination for the purposes of Part E and Part F, or giving any direction under Part D, the Authority may issue a draft view to the licensee.

45 A draft view under paragraph 44 may cover:

a) proposed identification of Excluded Costs;

b) the Authority's view on any Forecast to Complete;

c) the Authority's view on Force Majeure cost attribution;

d) any proposed extension of the Target Delivery Date or the Backstop Date under Part D, including the number of days and any proposed conditions; and

e) the values the Authority proposes to use for the calculations in Part E and Part F.

46 The licensee may make written representations on a draft view within twenty Working Days of receipt.

Final determinations and recording

47 The Authority may record in the FSPR such values and outcomes as are required to give effect to its final position under Part D Part E and Part F, including:

a) any Excluded Costs identified;

b) the cost baseline used for the purposes of Part E and Part F;

c) any extension of the Target Delivery Date or the Backstop Date under Part D, including the number of days and any proposed conditions;

d) any Force Majeure cost attribution outcomes; and

e) any parameters the Authority directs for Force Majeure cost relief.

48 The direction of PCAC and the applicable PCAAF term is made under Special Condition 7 (Post Construction Adjustments). The inputs and calculations required by Part E and Part F of this Special Condition are to be applied as part of that process.

Part D Treatment of delay and delivery dates

49 A direction under this Part D may be given before or after the Target Delivery Date or the Backstop Date (as applicable).

50 The Authority may by direction revise any date recorded in the FSPR for the Relevant LDES Facility where it considers this necessary to give effect to this licence. Any extension of the Target Delivery Date or the Backstop Date for the purposes of this Special Condition takes effect only by direction of the Authority under Part D and only to the extent stated in that direction. A direction may be given before or after the date being extended has passed. Where the Authority directs an extension, it must record the revised date in the FSPR and the revised date applies for all purposes of this licence from the effective date stated in the direction.

51 A direction under paragraph 50 may include:

a) a revised Target Delivery Date;

b) a revised Backstop Date; and

c) any consequential dates required to apply this licence, including dates used for the purposes of Relevant Years and Partial Years.

52 Any direction under paragraph 50 must be in writing.

53 The Authority may record any revised date directed under paragraph 50 in the FSPR.

54 Where the Authority has determined under Part C that a Delay Event constitutes Force Majeure, the Authority may by direction extend the Target Delivery Date and/or the Backstop Date.

55 Any extension under paragraph 54 must be on a day for day basis.

56 The Authority will not grant an extension under paragraph 54 unless it is satisfied that:

a) the delay to Full Commissioning Date is attributable to the relevant Force Majeure event; and

b) the licensee has complied with the Force Majeure advance notice requirement in Part B, or the Authority has accepted non-compliance in accordance with Part B.

57 The extension under paragraph 54 must be limited to the number of days of delay that the Authority determines are attributable to the Force Majeure event.

58 The Authority may make an extension under paragraph 54 subject to conditions.

59 Conditions under paragraph 58 may include:

a) additional reporting requirements;

b) revised delivery milestones; and

c) requirements as to the form and frequency of programme updates to the Authority.

Backstop Delay Charge

60 This "Backstop Delay Charge" sub-section applies where the Full Commissioning Date occurs after the Backstop Date.

61 BackstopDelayDays means the number of days from (and including) the day after the Backstop Date up to (and including) the Full Commissioning Date and BackstopDelayMonth means a period of 30.44 days.

62 Where the Full Commissioning Date occurs after the Backstop Date and the Authority has determined (and recorded in the FSPR) that PCR Cost Baseline exceeds P50, the Authority must determine the Backstop Delay Factor (BDF) as follows:

a) BDF shall be 0.05 for the first period of three BackstopDelayMonths, or part thereof, comprised in BackstopDelayDays;

b) for each additional period of three BackstopDelayMonths, or part thereof, comprised in BackstopDelayDays, the value of BDF determined under paragraph (a) shall be increased by a further 0.05;

c) BDF shall not exceed 1.00.

63 The Authority must record BackstopDelayDays and BDF in the FSPR.

64 For the avoidance of doubt, the quantum of the Backstop Delay Charge is not determined by reference to construction costs, P50, P90, PCR Cost Baseline, Final Outturn Cost Baseline or any cost overrun metric. Instead, Backstop Delay Charges arise only in Relevant Years in which $FloorSupport_t$ is greater than zero, by applying BDF to $FloorSupport_t$ in accordance with Special Condition 6 (Adjustments to licensee revenue) Part F.

Part E Treatment of construction cost outcomes at Post Construction Review

65 This Part E applies for the purposes of determining the Post Construction Adjustment at Cap (PCAC) and the applicable Post Construction Adjustment at Floor (PCAAF-Admin or PCAAF) at Post Construction Review under Special Condition 7 (Post Construction Adjustments).

66 The Authority may implement this Part E by:

a) determining the PCR Cost Baseline;

b) calculating AdjustedCost; and

c) rerunning the applicable LDES Cap and Floor Financial Model using AdjustedCost as the construction cost input for the purposes of determining PCAC and the applicable PCAAF term under Special Condition 7 (Post Construction Adjustments).

67 Excluded Costs must not be included in the PCR Cost Baseline, AdjustedCost, or any input used to rerun the applicable LDES Cap and Floor Financial Model for the purposes of paragraph 66 and Special Condition 7 (Post Construction Adjustments).

68 P50 and P90 are the P50 and P90 cost scenarios recorded in the FSPR for the Relevant LDES Facility.

PCR Cost Baseline

69 The PCR Cost Baseline is the Authority determined construction cost baseline for the Relevant LDES Facility at Post Construction Review, net of Excluded Costs. Where Part F applies, the Authority will determine the PCR Cost Baseline in accordance with Part F. In all other cases, the Authority will determine the PCR Cost Baseline by reference to evidenced outturn costs submitted for Post Construction Review. The PCR Cost Baseline must be stated on the same scope and price basis as P50 and P90 recorded in the FSPR, unless the Authority directs otherwise.

Underspend and P50 to P90 pass through

70 In this Special Condition the term "Underspend" means:

$$Underspend = \max(P50 - PCR\ Cost\ Baseline, 0)$$

Where:

a) Underspend means the amount by which the PCR Cost Baseline is below P50.

b) P50 means the P50 cost scenario recorded in the FSPR for the Relevant LDES Facility.

c) PCR Cost Baseline means the construction cost baseline determined in accordance with Part E paragraph 69.

71 In this Special Condition the consumer share of Underspend is:

$$ConsumerUnderspendShare = 0.5 \times \max(P50 - PCR\ Cost\ Baseline, 0)$$

Where:

a) ConsumerUnderspendShare means the consumer share of any Underspend used in the calculation of AdjustedCost.

b) PCR Cost Baseline has the meaning above.

72 Where the PCR Cost Baseline is less than P50, the Underspend is shared 50:50 between the licensee and consumers through the calculation of AdjustedCost.

73 Where the PCR Cost Baseline is greater than P50 and less than or equal to P90, the difference between P50 and the PCR Cost Baseline is passed through in full through the calculation of AdjustedCost.

Costs above P90

74 In this Special Condition the term "Excess90" means:

$$Excess90 = \max(PCR\ Cost\ Baseline - P90, 0)$$

75 Where Excess90 is greater than zero, Excess90 must not be included in AdjustedCost and must not be admitted for the purposes of setting PCA terms, except to the extent included in FMPT.

Force Majeure cost relief

76 The Authority may, at Post Construction Review only, determine an additional pass through amount in respect of costs attributable to a Force Majeure event. The Authority may make a determination under this paragraph 76 only where it is satisfied that:

a) the Authority has determined under Part C that a Delay Event is attributable to Force Majeure; and

b) the Force Majeure advance notice requirement in Part B has been complied with, or non-compliance has been accepted by the Authority in accordance with Part B;

c) the licensee has submitted Force Majeure cost attribution evidence in accordance with Part B;

d) the costs for which additional pass through is sought are economic, efficient and effective; and

e) the costs are attributable to the Force Majeure event.

77 Any additional pass through determined under paragraph 76 may apply even where the relevant costs would otherwise fall above P90.

78 For the purposes of this Special Condition, "FMPT" means the additional pass through amount, if any, determined by the Authority under paragraph 76 at Post Construction Review. FMPT has a value of zero unless and until the Authority determines otherwise at Post Construction Review.

79 The Authority may record any determination under paragraph 76 in the FSPR and must apply it through the calculation of AdjustedCost and the rerun of the applicable LDES Cap and Floor Financial Model in accordance with paragraph 66 and under Special Condition 7 (Post Construction Adjustments).

AdjustedCost

80 For the purposes of paragraph 66, "AdjustedCost" is:

$$AdjustedCost = P50 + P50toP90 + FMPT - ConsumerUnderspendShare$$

Where:

a) AdjustedCost means the construction cost input used for the rerun of the applicable LDES Cap and Floor Financial Model at Post Construction Review for the purposes of determining PCAC and the applicable PCAAF term under Special Condition 7 (Post Construction Adjustments).

b) P50 means the P50 cost scenario recorded in the FSPR for the Relevant LDES Facility.

c) P50toP90 means the pass through amount between P50 and P90, calculated as:

$$P50toP90 = \max(\min(PCR\ Cost\ Baseline, P90) - P50, 0)$$

Where:

(i) PCR Cost Baseline has the meaning given in Part E.

(ii) P90 means the P90 cost scenario recorded in the FSPR for the Relevant LDES Facility.

(iii) FMPT means the additional pass through amount, if any, determined by the Authority at Post Construction Review in accordance with Part E. FMPT is an incremental pass through amount only. When determining FMPT the Authority may take into account any pass through already given through P50toP90.

(iv) ConsumerUnderspendShare has the meaning above.

Direction and recording

81 Following any rerun of the applicable LDES Cap and Foor Financial Model using AdjustedCost, the Authority may determine PCAC and the applicable PCAAF term by reference to the difference between the model outputs at regime award and the model outputs produced by that rerun, in accordance with Special Condition 7 (Post Construction Adjustments).

82 The Authority may record in the FSPR such values, inputs and intermediate calculations as it considers necessary to give effect to this Part (including, without limitation, PCR Cost Baseline, Underspend, ConsumerUnderspendShare, Excess90, any FMPT, and AdjustedCost).

83 All values determined or used under this Part E and Part F must be stated on the same scope and price basis as P50 and P90 recorded in the FSPR, and net of VAT and other recoverable taxes, unless the Authority directs otherwise (including in the RIGs).

Part F Reconciliation where costs emerge after Post Construction Review

84 Where Post Construction Review occurs before all construction costs are finally known, incurred, agreed or settled, the Authority may determine PCAC and the applicable PCAAF term using:

a) Actual Costs to Date; and

b) a Forecast to Complete.

85 The licensee must submit a Forecast to Complete where the Authority requires it, or where the licensee proposes that Post Construction Review occurs before final outturn.

86 The Forecast to Complete must be supported by evidence and must include:

a) remaining contract commitments;

b) expected claims, variations and defect rectification; and

c) expected retentions and other material payments.

87 For the purposes of Part E, where this Part applies, the Authority will determine the PCR Cost Baseline by reference to Actual Costs to Date and Forecast to Complete as follows:

$$PCR\ Cost\ Baseline\ =\ Actual\ Costs\ to\ Date\ +\ Forecast\ to\ Complete$$

Where:

a) PCR Cost Baseline has the meaning given in Part E.

b) Actual Costs to Date means costs incurred and evidenced at the PCR cut-off date.

c) Forecast to Complete has the meaning given in this Part.

88 Excluded Costs must not be included in Actual Costs to Date, Forecast to Complete or PCR Cost Baseline. There must also be no double counting of costs with any costs that may be recovered via FMPT.

89 The PCR cut-off date is the date specified by the Authority for the purposes of Post Construction Review.

90 Within twelve months after Full Commissioning Date, the licensee must submit an outturn reconciliation submission including:

a) final evidenced outturn construction costs; and

b) a reconciliation from the PCR Cost Baseline to final evidenced outturn construction costs; and

c) an updated schedule of Excluded Costs.

91 The Authority will determine a Final Outturn Cost Baseline being the Authority determined economic, efficient and effective final outturn construction cost, net of Excluded Costs.

92 Where the Final Outturn Cost Baseline differs from the PCR Cost Baseline, the Authority may:

a) recalculate AdjustedCost using the Final Outturn Cost Baseline in place of the PCR Cost Baseline;

b) rerun the applicable LDES Cap and Floor Financial Model; and

c) direct revised PCAC and revised applicable PCAAF under Special Condition 7 (Post Construction Adjustments).

93 Any payment or recovery arising from paragraph 92 must:

a) be effected under Special Condition 6 (Adjustments to licensee revenue); and

b) include an adjustment for time value of money from the original payment date to the settlement date, calculated using the Administrative True Up Rate, unless the Authority directs otherwise.

94 Nothing in this Part reopens any item previously treated as an Excluded Cost.

Part G Representations and appeals

95 This Part G applies where the Authority proposes to make a determination or give a direction under this Special Condition.

96 The Authority may issue a draft determination or draft direction to the licensee.

97 A draft determination or draft direction may relate to:

a) a Force Majeure application;

b) any matter affecting Part D; or

c) any matter affecting Part E or Part F, including any values to be used for the purposes of rerunning the applicable LDES Cap and Floor Financial Model.

98 Where the Authority issues a draft determination or draft direction, the licensee may make written representations within twenty Working Days of receipt, unless the Authority specifies a longer period.

Final determination and recording

99 The Authority will give any final determination or final direction under this Special Condition in writing.

100 A final determination or final direction must include reasons.

101 The Authority may record in the FSPR any final determination or final direction that affects:

a) dates in the FSPR; or

b) any cost baseline, AdjustedCost, or other values used for Part E or Part F.

Special Condition 10 Non Controllable Operational Costs

Introduction

1 The purpose of this Special Condition is to set out:

a) the categories of Non Controllable Operational Costs that may be treated as NCC_t for the purposes of Assessed Revenue; and

b) the process for notice, reporting, review, determination and reconciliation of NCC_t.

2 This Special Condition does not change the definition or calculation of Assessed Revenue. It sets only what may be treated as NCC_t and how NCC_t is notified, evidenced, reviewed, determined and reconciled.

Structure

3 This Special Condition is structured as follows:

a) Part A: Scope and categories of Non Controllable Operational Costs

b) Part B: De minimis and allocation

c) Part C: Notice, reporting and evidence

d) Part D: Income Adjusting Event term (IAT_t)

e) Part E: Authority review and determination

f) Part F: Reconciliation and time value of money

g) Part G: Review and governance

Part A Scope and categories of Non Controllable Operational Costs

Scope

4 NCC_t means only the cost items that:

a) fall within the categories in paragraph 6 or have been designated under paragraph 9;

b) are incurred in relation to the Relevant LDES Facility in the Relevant Year;

c) are supported by evidence in accordance with this Special Condition;

d) are not Excluded Costs; and

e) where applicable, exceed the de minimis threshold in Part B.

5 A cost item must not be treated as NCC_t to the extent it is a Market Related Cost under Special Condition 4 (Assessed Revenue and Revenue Netting) or varies with market participation in a way that is properly treated as a Market Related Cost. The Authority may determine the classification of any cost item for the purpose of this Special Condition.

Closed list

6 Subject to paragraph 9, the categories of Non Controllable Operational Costs are:

a) business rates payable in Great Britain in respect of the Relevant LDES Facility;

b) licence fees payable to the Authority and other statutory licence or compliance fees that are unavoidable for the Relevant LDES Facility; and

c) Transmission Network Use of System charges, but only to the extent, and in the proportion, directed by the Authority and recorded in the FSPR for the Relevant LDES Facility, and such other regulated network charges as are specified in the RIGs.

Netting

7 NCC_t must be reported net of any rebate, refund, compensation, dispute recovery, credit note or other credit that relates to the same cost item and period, whether received in the Relevant Year or in a later year.

No betterment

8 Any amount treated as NCC_t must be limited to the amount actually incurred and evidenced by the licensee, net of the items in paragraph 7.

Designation of additional NCC_t

9 The Authority may by direction designate additional categories or items as Non Controllable Operational Costs for a Relevant LDES Facility only where it is satisfied that the category or item:

a) is outside the reasonable control of the licensee as to both level and timing within the relevant Year;

b) is unavoidable for the Relevant LDES Facility acting in accordance with Good Industry Practice;

c) is not a Market Related Cost and is not materially driven by charging, discharging, dispatch or trading decisions; and

d) is capable of being evidenced, allocated and reported in a clear way in accordance with this Special Condition.

10 A direction under paragraph 9 may include conditions, including any cap, collar, allocation method or other restriction.

11 Any direction under paragraph 9 must be recorded in the FSPR.

12 Unless the Authority expressly directs otherwise, a designation under paragraph 9 takes effect from the date of the Authority's direction and must not apply retrospectively.

Part B De minimis and allocation

De minimis threshold

13 An additional cost item (as described in paragraph 9 above) must not be treated as NCC_t unless it exceeds the de minimis threshold.

14 The de minimis threshold is:

a) £[x] per Relevant Year; or [**Note to Consultation Draft: This remains subject to finalisation]**

b) such other value as the Authority may direct and record in the FSPR for the Relevant LDES Facility; and

c) in each case, net of VAT and other recoverable taxes (unless the Authority directs otherwise (including in the RIGs)) and is expressed in pounds sterling, nominal, for Relevant Year$_t$, unless the Authority directs otherwise and records that direction in the FSPR.

15 The de minimis threshold applies separately to each additional NCC$_t$ category and, where applicable, to each NCC$_t$ item within a category as recorded in the FSPR.

16 The Authority may by direction specify, and record in the FSPR, the NCC$_t$ categories and items to which the de minimis threshold applies and any alternative method for applying the threshold. Where a cost item does not exceed the applicable de minimis threshold under paragraphs 14 to 16, it must not be treated as NCC$_t$ and must not be included in any reconciliation under Part F.

Allocation and no overlap

17 Where a cost item may fall partly within NCC$_t$ and partly within Market Related Costs, the licensee must allocate that cost item between NCC$_t$ and Market Related Costs on a reasonable and evidence based basis consistent with the FSPR and any Authority direction.

18 There is a presumption that a cost item that varies materially with charging or discharging volumes is a Market Related Cost unless the Authority has directed otherwise and recorded this in the FSPR. Where a cost item within paragraph 6c) includes a component that is materially driven by charging, discharging, dispatch or trading decisions, that component must be treated as MRC$_t$ unless the Authority directs otherwise and records that direction in the FSPR

Part C Notice, reporting and evidence

Obligation to minimise costs

19 The licensee must use reasonable endeavours to avoid, reduce and mitigate Non Controllable Operational Costs.

20 The licensee must not procure, structure or manage any arrangement in a way that increases Non Controllable Operational Costs where a lower cost outcome could reasonably have been achieved in accordance with Good Industry Practice, and the licensee must not take any action or omission that has the purpose or effect of:

a) moving a cost from Market Related Costs or any other category into Non Controllable Operational Costs;

b) increasing Non Controllable Operational Costs through contracting, invoicing, allocation, timing, site configuration, metering or settlement choices; or

c) causing a cost that would not otherwise be Non Controllable Operational Costs to be treated, or appear to be treated, as Non Controllable Operational Costs for the purposes of this licence.

Initial and quarterly updates

21 The licensee must submit an initial estimate of NCC$_t$ for each Relevant Year no later than twenty Working Days after the start of that Relevant Year.

22 The licensee must submit an updated estimate of NCC_t no later than twenty Working Days after the end of each quarter in the Relevant Year.

23 Paragraphs 21 and 22 apply unless the Authority directs different dates in the RIGs for the Relevant LDES Facility.

Annual submission of actuals

24 The licensee must submit actual NCC_t for a Relevant Year no later than three months after the end of that Relevant Year.

25 The submission under paragraph 24 must be in the form, and include the breakdowns, explanations and supporting evidence, specified in the RIGs or otherwise directed by the Authority.

Request for designation of additional NCC_t

26 Where the licensee seeks a designation under Part A paragraph 9, it must submit a request including:

a) the proposed category or item;

b) evidence that it is outside the reasonable control of the licensee;

c) evidence that it is not a Market Related Cost;

d) the expected cost level and drivers; and

e) the proposed method for measurement, allocation and reporting.

Part D Income Adjusting Event term (IAT_t)

27 This Part D applies where the licensee considers that, in Relevant $Year_t$, there have been costs or savings for the Relevant LDES Facility arising from an event or circumstance that may qualify as an Income Adjusting Event.

28 A cost or saving must not be included in both NCC_t and IAT_t for the same Relevant Year.

Notice of Income Adjusting Event

29 Where the licensee considers that an Income Adjusting Event has occurred in Relevant $Year_t$, it must give notice to the Authority.

30 The notice must:

a) describe the event or circumstance and explain why it is outside the reasonable control of the licensee;

b) explain why the event is not adequately treated as a Market Related Cost, Non Controllable Operational Cost, Post Construction Adjustment, Opex Reassessment Adjustment, Decommissioning Change in Law adjustment or Excluded Cost under this licence;

c) quantify, on a best estimate basis, the incremental costs or savings for Relevant $Year_t$ that are attributable to the event or circumstance;

d) propose a value for IAT_t, specifying whether it is positive (increasing costs) or negative (reflecting savings), together with the methodology used; and

e) include supporting evidence, including invoices, contracts, settlement data, and any independent advice that the licensee has obtained.

31 The licensee must give notice as soon as reasonably practicable and no later than three months after the end of the Relevant Year in which the event occurs, unless the Authority agrees a later date.

Authority determination of IAT_t

32 The Authority may, following a notice under paragraph 29 or on its own initiative, determine whether an event or circumstance is an Income Adjusting Event.

33 When determining whether an event is an Income Adjusting Event, the Authority may have regard to:

a) the criteria in the definition of Income Adjusting Event in Special Condition 1 (Definitions and Interpretation);

b) whether the incremental costs or savings have been estimated on an economic, efficient and effective basis;

c) whether the event is already addressed through Non Controllable Operational Costs, Market Related Costs, Post Construction Adjustments, Opex Reassessment, Decommissioning Change in Law adjustments or Excluded Costs; and

d) the need to maintain net present value neutrality under the cap and floor regime.

34 The Authority may request further information or evidence from the licensee.

35 Following its assessment, the Authority will determine a value for IAT_t for the Relevant Year in question, which may be positive, negative or zero, and must notify the licensee of that determination in writing.

36 The IAT_t determined under paragraph 35 is the Income Adjusting Event term used for the purposes of:

a) calculating Assessed Revenue under Special Condition 4 (Assessed Revenue and Revenue Netting); and

b) the cap and floor comparison and settlement under Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue).

37 Unless and until the Authority has determined a non-zero IAT_t under this Part D, IAT_t has value zero for the purposes of this licence. IAT_t must not include any Excluded Costs

Part E Authority review and determination

Tie to Assessed Revenue

38 For the purposes of Special Condition 4 (Assessed Revenue and Revenue Netting), NCC_t for a Relevant Year is the amount of Non Controllable Operational Costs determined under this Special Condition.

39 Where the Authority has not yet made a determination of NCC_t for a Relevant Year, the licensee may use a provisional NCC_t for that Relevant Year for reporting under this licence. That provisional NCC_t is subject to reconciliation under Part F.

Review and information requests

40 The Authority may review any item reported as NCC_t.

41 The Authority may at any time request further information from the licensee that it reasonably requires to determine NCC_t.

42 Where the Authority makes a request under paragraph 41, the licensee must provide the requested information as soon as reasonably practicable, or by such date as the Authority may specify.

Determination

43 The Authority may by determination specify the amount of NCC_t for a Relevant Year.

44 The Authority may make a determination under paragraph 43 on an economic, efficient and effective basis, having regard to the licensee's evidence and compliance with this licence (including Good Industry Practice and the requirements of this Special Condition and the FSPR), and to any benchmarking or independent assurance the Authority considers relevant. NCC_t must not include any Excluded Costs.

45 Where the Authority makes a determination under paragraph 43, the determined amount replaces any value proposed or reported by the licensee for the purposes of this licence.

46 The Authority will give a determination under paragraph 43 in writing and must include reasons.

Determination timetable

47 The Authority will notify the licensee in writing whether it has received all the information it needs to determine NCC_t/IAT_t, or what further information it requires.

48 Save where the Authority directs that any longer duration is required, the Authority will make its determination of NCC_t/ IAT_t within six months of the notification in paragraph 47 that the Authority has received all the information it needs. Where the Authority requests further information under paragraph 48, it will not determine NCC_t/IAT_t until that information has been provided.

49 Any period in paragraph 48 is suspended while a request for further information remains outstanding.

Part F Reconciliation and time value of money

Reconciliation

50 Where a provisional NCC_t has been used under Part E paragraph 39, or where an estimate under Part C differs from actual NCC_t for the Relevant Year, the difference must be reconciled.

51 Any reconciliation under paragraph 50 must be implemented through the adjustments to Licensee Revenue under Special Condition 6 (Adjustments to licensee revenue). No amount may be included as IAT_t in Assessed Revenue unless and until the Authority has determined IAT_t under Part D. Where the Authority determines or revises IAT_t after any settlement event, the cash effect must be implemented through Special Condition 6 (Adjustments to licensee revenue) as a restatement allocated to the Relevant Year to which IAT_t relates, with time value of money applied in accordance with Special Condition 6 (Adjustments to licensee revenue).

Time value of money

52 Where a reconciliation under paragraph 50 results in an over recovery or under recovery in a settled amount under Special Condition 6 (Adjustments to licensee revenue), the reconciliation must include time value of money from the original payment date to the settlement date.

53 The time value of money adjustment under paragraph 52 must be calculated using the Administrative True Up Rate, unless the Authority directs otherwise.

54 Where there have been multiple payments or recoveries, the time value of money adjustment must be applied to each payment or recovery by reference to its payment date unless the Authority directs an alternative method that is net present value neutral.

NPV neutral reconciliation for new NCC_t

55 Where the Authority designates a new category or item under Part A paragraph 9 and the Authority expressly directs that it applies to a Relevant Year for which amounts have already been settled, the Authority may direct an NPV neutral reconciliation.

56 Any reconciliation under paragraph 55 must be implemented under Special Condition 6 (Adjustments to licensee revenue) and must apply paragraphs 52 to 54.

Part G Review and governance

Periodic review

57 The Authority may at any time review the NCC_t items and parameters recorded in the FSPR for the Relevant LDES Facility.

Directions following review

58 Following a review under paragraph 57, the Authority may by direction:

a) update the items treated as NCC_t within paragraph 6c);

b) update any caps, collars or allocation methods; and

c) revoke or vary any designation made under paragraph 9.

59 Any direction under paragraph 58 must be recorded in the FSPR.

Special Condition 11 Within Period Adjustment

Purpose

1 The purpose of this Special Condition is to set out the process for determining any Within Period Adjustment for a Relevant Partial Assessment Period falling within a Relevant Assessment Period.

2 This Special Condition applies to any Relevant LDES Facility, subject to the conditions in this Special Condition.

3 A Within Period Adjustment may be determined only in respect of a Relevant Partial Assessment Period that does not include any Relevant Year for which annual settlement applies, unless the Authority directs otherwise and records that direction in the FSPR.

Structure

4 This Special Condition is structured as follows:

a) Part A: Eligibility and scope

b) Part B: Initiation and requests

c) Part C: Determination

d) Part D: Methodology and limits

e) Part E: Payment, reconciliation, reporting and audit

f) Part F: Interpretation

Part A Eligibility and scope

5 The Authority may determine a Within Period Adjustment where it considers it appropriate.

6 A Within Period Adjustment may be:

a) positive, where there is a material net present value shortfall below the applicable Floor Level over the Relevant Partial Assessment Period; or

b) negative, where there is a material net present value excess above the Cap Level over the Relevant Partial Assessment Period.

7 The Authority may by direction specify materiality thresholds, de minimis thresholds, form of requests, and supporting evidence requirements for the purposes of this Special Condition, and must record them in the FSPR.

Part B Initiation and requests

Authority initiated process

8 The Authority may initiate consideration of a Within Period Adjustment at any time after the end of a Relevant Year within a Relevant Assessment Period.

9 Where the Authority initiates consideration under paragraph 8, it must give notice to the licensee identifying:

a) the Relevant Partial Assessment Period it proposes to assess; and

b) the information it requires from the licensee.

Licensee requested process

10 The licensee may request that the Authority consider a Within Period Adjustment.

11 A request under paragraph 10 must be submitted:

a) in respect of a Relevant Partial Assessment Period ending at a Relevant Year end; and

b) not later than three months after the end of that Relevant Year, or such later date as the Authority may direct.

12 The licensee must not submit more than one request under paragraph 10 in any Relevant Year.

13 The licensee must include in its Annual Cap and Floor RIGs Submission a statement of whether it has made, or intends to make, a request under paragraph 10.

Information requirements

14 For the purposes of paragraphs 8 to 13, the Authority may require the licensee to provide such information as the Authority reasonably requires, including:

a) Assessed Revenue inputs and supporting evidence;

b) Cap Level and Floor Level inputs;

c) Discount Factor inputs; and

d) any relevant NCC_t /IAT_t reporting under Special Condition 10 (Non Controllable Operational Costs) to the extent it supports assessment of Assessed Revenue and settlement.

Part C Determination

Draft view

15 Before determining a Within Period Adjustment, the Authority may issue a draft view to the licensee.

16 A draft view may cover:

a) whether the Authority considers a Within Period Adjustment may be appropriate;

b) the Relevant Partial Assessment Period proposed;

c) the values proposed to be used for the methodology in Part D; and

d) the amount of the proposed Within Period Adjustment, if any.

Representations

17 The licensee may make written representations on a draft view within twenty Working Days of receipt, or such longer period as the Authority may specify.

Determination

18 The Authority may by determination:

a) determine a Within Period Adjustment amount;

b) determine that no Within Period Adjustment is appropriate; and

c) determine any conditions it considers necessary, including reporting conditions

19 The Authority may reject a request made under paragraph 10.

20 The Authority will give any determination under this Part C in writing and must include reasons.

Part D Methodology and limits

NPV calculations

21 For the Relevant Partial Assessment Period $_{pap}$:

$$ARN_{pap} = \sum_{t \in pap} (AR_t \times UF_t)$$

$$CLN_{pap} = \sum_{t \in pap} (CL_t \times UF_t)$$

$$FLN_{pap} = \sum_{t \in pap} (FL_t \times UF_t)$$

Where:

(i) pap means Relevant Partial Assessment Period.

(ii) ARN_{pap} means the net present value of Assessed Revenue over pap.

(iii) CLN_{pap} means the net present value of the Cap Level over pap.

(iv) FLN_{pap} means the net present value of the applicable Floor Level over pap.

(v) AR_t means Assessed Revenue for Relevant $Year_t$, determined in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting)

(vi) CL_t means the Cap Level for Relevant $Year_t$, determined in accordance with Special Condition 3 (Cap Level and Floor Level).

(vii) FL_t means the applicable Floor Level for Relevant $Year_t$, determined in accordance with Special Condition 3 (Cap Level and Floor Level) and Special Condition 5 (Cap and Floor Assessment).

(viii) UF_t means the Discount Factor for Relevant $Year_t$, determined in accordance with Special Condition 5 (Cap and Floor Assessment).

Excess and shortfall

22 The relevant NPV excess at Cap and shortfall at Floor over the pap are:

$$Excess_{pap}^{Cap} = \max\left(ARN_{pap} - CLN_{pap}, 0\right)$$

$$Shortfall_{pap}^{Floor} = \max\left(FLN_{pap} - ARN_{pap}, 0\right)$$

Where:

(i) $ExcessCap_{pap}$ means the net present value excess above the Cap Level over pap.

(ii) $ShortfallFloor_{pap}$ means the net present value shortfall below the applicable Floor Level over pap.

Limits

23 A positive Within Period Adjustment must not exceed $ShortfallFloor_{pap}$.

24 A negative Within Period Adjustment must not be less than (-$ExcessCap_{pap}$).

Materiality

25 The Authority will not determine a Within Period Adjustment unless any applicable threshold recorded in the FSPR is met, unless the Authority directs otherwise.

Availability interaction

26 Where the Floor Level is not in force for a Relevant Year due to the application of the Minimum Availability Target under Special Condition 5 (Cap and Floor Assessment), that Relevant Year must not be taken into account in FLN_{pap}.

Part E Payment, reconciliation, reporting and audit

Payment

27 Any payment or recovery arising from a Within Period Adjustment must be effected under Special Condition 6 (Adjustments to licensee revenue). Namely, payment will be implemented through Special Condition 6 (Adjustments to licensee revenue) and in accordance with the payment mechanics in Special Condition 6 (Adjustments to licensee revenue) Part H.

28 The Authority may by direction specify the timing of settlement and any true up for timing differences, and must do so on a net present value neutral basis.

Reconciliation

29 The Authority may take account of any Within Period Adjustment payments or recoveries when determining any end of period settlement amount under Special Condition 6 (Adjustments to licensee revenue) for the Relevant Assessment Period.

30 The reconciliation under paragraph 29 must ensure that the Relevant Assessment Period remains net present value neutral.

Reporting and audit

31 The licensee must report each initiation notice, request, draft view, determination and settlement related to a Within Period Adjustment in its Annual Cap and Floor RIGs Submission.

32 The licensee must retain records supporting the calculations in Part D and the underlying inputs.

33 The Authority may audit the licensee's compliance with this Special Condition and may require independent assurance.

Part F Interpretation

34 In this Special Condition, Relevant Partial Assessment Period means a contiguous period of whole Relevant Years within a Relevant Assessment Period, ending at a Relevant Year end, as identified by the Authority or proposed by the licensee and accepted by the Authority.

35 Within Period Adjustment means the amount determined by the Authority under paragraph 18a).

36 For the purposes of Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue), a Within Period Adjustment is treated as arising in the Relevant Year in which it is paid or recovered (or such other Relevant Year as the Authority directs).

37 A Within Period Adjustment is provisional. It does not amend AR_t, CL_t, FL_t, $CapOutcome_t$ or $FloorSupport_t$ for any Relevant Year. Any subsequent correction, restatement or true up to any input used for the Within Period Adjustment, whether for a Relevant Year inside or outside pap, must be given effect through Special Condition 6 (Adjustments to licensee revenue) at the next settlement event, with time value of money applied in accordance with Special Condition 6 (Adjustments to licensee revenue).

38 At any settlement event at which a Within Period Adjustment is paid or recovered, the parties must also net and settle any other amounts due under Special Condition 6 (Adjustments to licensee revenue) at that time.

Special Condition 12 Technical Capability, Availability and Floor Eligibility

Purpose

1 The purpose of this condition is to set out:

a) the technical capability obligations for the Relevant LDES Facility;

b) the method for calculating the Equivalent Availability Calculation (EAC) for each Relevant Year;

c) the Minimum Availability Target (MAT) for Floor eligibility;

d) the treatment of MAT breach for Balance Sheet and Project Finance projects; and

e) the interaction with Conditional Floor Accruals and Distributions.

Structure

2 This condition is structured as follows:

a) Part A: Technical capability obligations.

b) Part B: Maintenance of duration and capacity.

c) Part C: Equivalent Availability Calculation and energy based cross check.

d) Part D: Minimum Availability Target.

e) Part E: MAT breach, Force Majeure and Exceptional Events.

f) Part F: Availability, constraint and curtailment reporting and evidence.

g) Part G: ESO System Event Reporting

h) Part H: Conditional Floor Accruals and Distribution lock up.

i) Part I: Partial Years and interpretation.

j) Part J: Operation as LDES.

Part A Technical capability obligations

3 The licensee must maintain the technical capability of the Relevant LDES Facility to at all times be capable of meeting the Performance Tests (Schedule B) (Performance Test Protocol).

4 The licensee must plan, operate and maintain the Relevant LDES Facility in accordance with Good Industry Practice, the FSPR and all applicable Codes.

5 Without prejudice to paragraph 4, where the Grid Code or any other applicable Code requires the provision of operational data, monitoring information, forecasting information, telemetry or other information relating to the operation or visibility of the Relevant LDES Facility, the licensee must comply with those requirements.

6 The licensee must use best endeavours, where reasonably practicable, to provide the information referred to in paragraph 5:

a) earlier than the minimum timeframes required under the relevant Code; and

b) over a forward-looking period that is longer than the minimum period required under the relevant Code, having regard to the Minimum Duration, Effective Usable Energy Capacity and operating characteristics of the Relevant LDES Facility.

7 Nothing in paragraphs 5 or 6 modifies, replaces or limits any obligation of the licensee under the Grid Code, any other applicable Code, the FSPR or any other provision of this licence.

8 The licensee must carry out the Periodic Performance Tests in accordance with Schedule B (Performance Test Protocol) and must provide the notices, certificates and supporting information required by Schedule B (Performance Test Protocol) within the timeframes stated in that Schedule (or such alternative timeframes as the Authority may direct). Failure to carry out a required test, or a Failed Test that is not remedied and retested within the period specified in Schedule B (Performance Test Protocol) (or as the Authority directs), constitutes a breach of this licence and may be taken into account by the Authority in determining availability, Reference Capacity, and any enforcement action or revocation assessment under this licence.

9 Where the Authority reasonably considers that:

a) a Failed Test under Part B of Schedule B (Performance Test Protocol) has not been remedied within a reasonable period;

b) the licensee has failed to implement a remedial action plan submitted under Part B of Schedule B (Performance Test Protocol); or

c) repeated Failed Tests demonstrate that the Relevant LDES Facility is unable to maintain the Minimum Duration, Effective Usable Energy Capacity or Reference Capacity required under this licence,

the Authority may require enhanced reporting, further testing, independent verification or additional assurance and may take such failure into account when exercising its functions under this licence, including (without limitation) in relation to availability assessments, Floor eligibility and compliance with this licence.

10 Where the licensee becomes aware of any failure, degradation, defect or other circumstance that has resulted, or is reasonably likely to result, in the Relevant LDES Facility:

a) no longer being capable of meeting the Minimum Duration, Effective Usable Energy Capacity or Reference Capacity requirements applicable under this licence or the FSPR; or

b) being unable to comply with a material performance requirement of Schedule B (Performance Test Protocol)

c) the licensee must notify the Authority as soon as reasonably practicable and in any event no later than five Working Days after becoming aware of the matter.

11 A notice under paragraph 10 must include, to the extent known at the time:

a) a description of the relevant failure, degradation, defect or circumstance;

b) the actual or anticipated impact on the Relevant LDES Facility's technical capability and compliance with this licence;

c) the likely cause of the issue;

d) any immediate mitigating actions taken; and

e) any remedial works, corrective actions or investigations proposed, including the expected timetable

12 Where the Relevant LDES Facility is co located with other assets or operates behind the meter, the licensee must comply with the metering, sub metering and attribution requirements in Schedule C (Co-Location and Behind the Meter Generation) and in this licence.

Part B Maintenance of duration and capacity

13 The licensee must ensure that the Relevant LDES Facility maintains, for the Regime Duration, when the Floor Level is in force:

a) at least the Minimum Duration; and

b) at least the Rated Export Capacity and Rated Import Capacity,

as specified in this licence, the Technical Decision Document and the FSPR.

14 The licensee may oversize or augment the Relevant LDES Facility relative to the FSPR. Irrespective of whether it plans to do so, the licensee must provide, and routinely update (as appropriate), a report setting out technical and cost evidence for oversizing and augmentation, including degradation forecasts, an augmentation plan and costed options (**Oversize and Augmentation Plan**). The licensee must identify any part of the Oversize and Augmentation Plan that would increase capacity or energy capability beyond what is required to meet paragraph 13 or beyond the values recorded in the FSPR. If the licensee chooses to oversize or augment the Relevant LDES Facility in accordance with the Oversize and Augmentation Plan, it must notify the Authority. There is a presumption that any costs of any oversizing are Excluded Costs unless permitted under paragraph 15. The licensee must ensure the proposal and related costs are recorded and governed in the FSPR and reflected in the LDES Cap and Floor Financial Model only to the extent permitted under paragraph 15.

15 The Authority may, by direction, permit cost recovery for oversizing or augmentation relative to the requirements set out in paragraph 13. The Authority may do so only where it is satisfied that the proposal and associated costs are economic, efficient and effective in maintaining, enhancing or supporting the Relevant LDES Facility and the objectives of this licence. No costs that increase capacity or energy capability beyond what is required to meet paragraph 13 or beyond the values recorded in the FSPR are allowable unless the Authority has expressly permitted those costs by direction. Any permitted costs must be recorded in the FSPR and applied through the Cap and Floor Financial Model in accordance with Special Condition 3 (Cap Level and Floor Level) and Special Condition 7 (Post Construction Adjustments).

Part C Equivalent Availability Calculation and energy based cross check

16 For each Relevant Year_t the licensee must calculate the Equivalent Availability Calculation, EAC_t, as:

$$\frac{EAC = (\sum_{i=1}^{N} \text{Available Capacity}_i \times \Delta t_i)}{\text{Reference Capacity} \times Tt}$$

Where:

a) each interval $_i$ is a Settlement Period (or such other interval as directed by the Authority and recorded in the FSPR);

b) Δt_i is the duration of interval $_i$ expressed in hours;

c) T_t is the total time in the assessment period for Relevant Year$_t$, expressed in hours;

d) AvailableCapacity$_i$ means the MW that the Relevant LDES Facility is technically capable of importing and/or exporting at the Boundary Point in interval$_i$, subject always to the ReferenceCapacity, determined in accordance with the appropriate mechanism set out in paragraphs 17 or 19 (as applicable); and

e) ReferenceCapacity is the maximum deliverable MW at the Boundary Point, as proven in accordance with Schedule B (Performance Test Protocol) and recorded in the FSPR (where the maximum deliverable MW at the Boundary Point differs between export and import (as proven in accordance with Schedule B), ReferenceCapacity for the purposes of EAC shall be the lesser of those two proven values).

17 For the avoidance of doubt, AvailableCapacity$_i$ is determined by the Relevant LDES Facility's actual technical capability in the relevant interval, in accordance with the methodology set out in this Part C. AvailableCapacity$_i$ is not adjusted or normalised to Reference Conditions unless expressly provided otherwise in this licence.

18 Where, for interval$_i$, the Relevant LDES Facility is registered as a Balancing Mechanism Unit (BMU) or comprises one or more BMUs and the Authority has not directed that paragraph 19 should apply in place of this paragraph 17, AvailableCapacity$_i$ must be determined using Balancing Mechanism parameters for the relevant Settlement Period in accordance with this paragraph 17 as follows:

a) Where the Relevant LDES Facility comprises more than one BMU, the licensee must identify the relevant BMU(s) and must determine MEL$_i$ and MIL$_i$ as the aggregate of the relevant BMU values for interval$_i$ (or such other mapping as directed by the Authority and recorded in the FSPR).

b) For interval$_i$:

(i) ExportCapability$_i$ = MEL$_i$ + ReservedExportMW$_i$;

(ii) ImportCapability$_i$ = (-MIL$_i$) + ReservedImportMW$_i$; and

(iii) AvailableCapacity$_i$ =

min(ReferenceCapacity, max(ExportCapability$_i$, ImportCapability$_i$))

c) For the purposes of this paragraph 17:

(i) MEL$_i$ and MIL$_i$ are the Maximum Export Limit and Maximum Import Limit submitted to ESO for interval$_i$;

(ii) “Maximum Export Limit” and “Maximum Import Limit” have the meaning given to those terms in the Grid Code;

(iii) MIL is a maximum import limit expressed as a non-positive value (i.e. import is represented as a negative MW quantity);

(iv) (-MIL$_i$) represents the magnitude of import capability in MW; and

(v) ReservedExportMW$_i$ and ReservedImportMW$_i$ are calculated as follows:

(1) $ReservedExportMW_i$ and $ReservedImportMW_i$ mean MW that are technically available at the Boundary Point in $interval_i$ but are not reflected in MEL_i/MIL_i solely because that MW is reserved to deliver services to ESO or firm contractual commitments in that interval.

(2) $ReservedExportMW_i$ and $ReservedImportMW_i$ must be evidenced in accordance with Good Industry Practice, without double counting and must not include MW withheld from MEL/MIL due to:

(A) an equipment outage, derating, protection limit, control system limitation or other technical restriction; or

(B) a limitation arising solely from the Relevant LDES Facility's State of Energy (including being legitimately full or empty).

d) For the avoidance of doubt:

(i) ReservedExportMW and ReservedImportMW must be demonstrable and evidenced with records of the service contract or instruction, following Good Industry Practice;

(ii) a reduction in one direction that arises solely from the Relevant LDES Facility being at (or near) its maximum or minimum State of Energy (i.e. being legitimately full or empty) does not, of itself, reduce $AvailableCapacity_i$, provided the Relevant LDES Facility remains technically capable of operating to the ReferenceCapacity in the other direction and is otherwise compliant with this Special Condition.

19 Where the Authority directs or where paragraph 17 does not apply, $AvailableCapacity_i$ must be determined from SCADA and site telemetry in accordance with the licensee's applicable availability rules. The availability rules are set out in the FSPR and must feature (as a minimum):

a) data hierarchy and substitution rules;

b) treatment of auxiliary load and metering boundaries;

c) treatment of partial deratings and component outages; and

d) audit and assurance requirements.

The availability rules must be consistent with the principles of applicable Industry Documents, including (without limitation) the consistent classification and treatment of planned outages, forced outages and partial deratings.

20 Where the Authority considers that updates to the availability rules in the FSPR are necessary to reflect changes in:

a) the licensee's SCADA or monitoring systems;

b) relevant Codes, including the Grid Code; or

c) applicable Industry Documents,

the Authority may direct the licensee to propose revisions to the availability rules recorded in the FSPR.

21 Upon such direction, the licensee must, within the period specified by the Authority:

a) submit proposed revisions to the availability calculation method and associated rules, including data sources, substitution hierarchies and classification procedures; and

b) demonstrate how the proposed revisions reflect Good Industry Practice and are consistent with applicable Industry Documents.

22 Following submission, the Authority may:

a) approve the proposed revisions and direct the licensee to update the FSPR accordingly;

b) require the licensee to make specified changes and resubmit; or

c) where the Authority considers the proposal non-compliant or insufficient, reject the proposal and amend the FSPR itself in accordance with this licence and direct the licensee to implement the amended availability rules.

Any revisions approved or directed under this paragraph must be recorded in the FSPR (such record will take place by direction but where the Authority proposes its own allowance that direction will be made pursuant to paragraph 9 of Special Condition 24 (Status of FSPR)) and applied from the start of the next Relevant Year, or such other date as the Authority may specify.

23 EAC_t must at all times be calculated with intervals of each settlement period in the Relevant Year unless the Authority directs an alternative method and records that method in the FSPR.

Energy based cross check

24 The Authority may by direction require an energy based cross check. In that case, the licensee must also report, for each Relevant $Year_t$:

$$EnergyRatiot = \frac{\text{Actual Energy Delivered}_t}{\text{Reference Energy Capability}_t}$$

Where:

a) $ActualEnergyDelivered_t$ is the total MWh exported at the Boundary Point in Relevant $Year_t$, adjusted for any Exceptional Events as directed by the Authority; and

b) $ReferenceEnergyCapability_t$ is the reference MWh for that technology in Relevant $Year_t$, calculated using ReferenceCapacity and a reference number of hours, or other method, as recorded in the FSPR.

25 A direction under paragraph 24 must state:

a) the method for calculating $ReferenceEnergyCapability_t$;

b) any trigger values or thresholds that the Authority will use to identify material divergence between EAC_t and $EnergyRatio_t$; and

c) any additional evidence the licensee must provide where those trigger values are met.

Deemed availability and Force Majeure

26 For the purposes of EAC_t and any $EnergyRatio_t$, the Relevant LDES Facility is deemed Available during any interval where:

a) the Relevant LDES Facility is unable to export or import due to a Force Majeure for which the licensee has complied with the notice and evidence requirements set out in paragraph 27; or

b) the Relevant LDES Facility is unable to export or import due to an instruction or direction by the ESO or a network company under a Code or under law which restricts export or import, and which does not arise due to the fault of the licensee or its contractors.

27 Where the licensee intends to claim deemed availability under paragraph 26a):

a) The licensee must give a Force Majeure notice to the Authority as soon as reasonably practicable after becoming aware of a potential Force Majeure event.

b) The notice under paragraph a) must be given no later than ten (10) Working Days after the date the licensee became aware, or ought reasonably to have become aware, of the potential Force Majeure event.

Authority use of the cross check

28 Where the Authority has directed an energy based cross check, it may use $EnergyRatio_t$ for the following purposes:

a) To identify where the Relevant LDES Facility has materially lower energy based availability than mechanical availability.

b) To request further information or assurance on operation, energy constraints and dispatch decisions.

c) To determine whether the licensee has operated the Relevant LDES Facility in line with Good Industry Practice and the requirements of this licence.

d) To inform any determination on Exceptional Events or other availability relief under this licence.

29 A direction under paragraph 24 does not itself change the calculation of Floor eligibility. Floor eligibility remains determined by EAC_t and MAT_t under Special Condition 5 (Cap and Floor Assessment). However, $EnergyRatio_t$ may (along with all other relevant information) inform the Authority's view as to the licensee's compliance with Special Condition 18 (Market Participation).

30 The licensee must calculate EAC_t and any $EnergyRatio_t$ to one decimal place and must keep the underlying time series data for audit.

Part D Minimum Availability Target

31 The Authority has determined a Minimum Availability Target, MAT, for the Relevant LDES Facility before the Regime Start Date. MAT is expressed as a minimum annual EAC.

32 MAT for each Relevant LDES Facility is recorded in the FSPR. The Authority may change MAT only where it considers this necessary following a legislative or system change. Any change must be directed in writing and recorded in the FSPR.

33 Special Condition 5 (Cap and Floor Assessment) uses EAC_t and MAT_t to determine whether the Floor Level is in force in each Relevant Year.

Part E MAT breach, Force Majeure and Exceptional Events

MAT breach notice

34 Where EAC_t is less than MAT_t in any Relevant $Year_t$, the licensee must notify the Authority in accordance with the applicable requirements in the RIGs and any Authority direction. The notice must include:

a) the calculated values of EAC_t and MAT_t;

b) an explanation of the principal causes of the shortfall; and

c) the steps taken or planned to restore performance.

Force Majeure and availability

35 Where the licensee wishes to rely on Force Majeure for availability purposes it must:

a) give notice and evidence in accordance with this Special Condition;

b) identify the affected intervals and capacities in its EAC_t calculation; and

c) provide any further information on the event, mitigation and recovery that the Authority may reasonably require.

36 An event is treated as Force Majeure for the purposes of deemed availability under paragraph 27 only where the Authority has given a determination to that effect.

Exceptional Events

37 The licensee may request that the Authority treat an outage, derating or restriction as an Exceptional Event for availability purposes, even where the event not Force Majeure and is not otherwise an event to which relief applies under this Special Condition. Any such request must be made as soon as reasonably practicable after the licensee becomes aware of the event and, in any case, no later than three months after the end of the Relevant Year to which the request relates, unless the Authority agrees otherwise in writing. The request must identify the relevant periods and capacity impacts, including the start and end time of each affected period, the magnitude of the reduction in MW, the evidence source for each figure, and the proposed treatment in the EAC calculation. It must explain why the event is beyond the reasonable control of the licensee and why it is not properly treated as a planned outage or Force Majeure under this Special Condition. It must show how the licensee has acted in line with Good Industry Practice to avoid, reduce and mitigate the impact, including the actions taken, the timing of those actions, and why further mitigation was not reasonably practicable. The request must include all supporting information specified in the RIGs for Exceptional Event claims and any other information reasonably requested by the Authority. Pending a determination under paragraph 38, the licensee must calculate and report EAC on an unadjusted basis and separately identify the effect of the requested Exceptional Event adjustment.

38 The Authority may determine that an event is an Exceptional Event for availability purposes only where it is satisfied, on the basis of evidence, that the event was beyond the reasonable control of the licensee and its contractors, was not the result of the licensee's or its contractor's fault, negligence, misconduct, or breach of this licence, and has been appropriately managed and mitigated by the licensee in line with Good Industry Practice. The authority may determine that an event is an Exceptional Event for availability purposes and may direct that the Relevant LDES Facility is deemed available for the affected periods when calculating EAC_t and MAT_t or that an adjusted EAC_t is to be used for floor eligibility under Special Condition 5 (Cap and Floor Assessment). Any direction under this paragraph may specify the periods, capacity values, data

sources, and calculation steps to be applied, and may be given subject to conditions, including additional evidence and assurance.

39 Any determination under paragraph 38 must be given in writing and must be recorded in the FSPR.

Part F Availability, constraint and curtailment reporting and evidence

40 The licensee must maintain records that support:

a) the calculation of EAC_t and any $EnergyRatio_t$;

b) the classification of each outage or derating as planned, forced, Force Majeure, Exceptional Event or other category as the Authority may direct;

c) the application of any deemed availability under paragraph 27; and

d) any request or determination under paragraphs 34 to 39.

41 The licensee must provide, in the form and by the date specified in the RIGs:

a) annual EAC_t and any $EnergyRatio_t$;

b) an outage log for the Relevant Year, including for all plant systems and sub-system failures, showing start and end time, capacity impact, cause and category for each event. This log must be maintained in a reliable and searchable format;

c) a summary of any Force Majeure events, Exceptional Events and other relief events claimed for availability, including details of any plant systems and sub-system failures relevant to those events, so that the Authority can assess the extent to which such failures contributed towards the claimed event; and

d) any other information that the Authority specifies in RIGs for the purposes of this Special Condition.

42 The Authority may require independent verification of the licensee's EAC_t, $EnergyRatio_t$ and outage classification and may direct the scope of that verification.

43 The licensee must report, to the extent specified in the RIGs and in the form and by the date specified in the RIGs, information relating to the operation of the Relevant LDES Facility during periods affected by transmission constraints, network curtailment or balancing actions, including:

a) the frequency and duration of any curtailment affecting the Relevant LDES Facility;

b) revenue earned by the Relevant LDES Facility during periods affected by transmission constraints, network curtailment or balancing actions, calculated on a basis specified in the RIGs;

c) balancing mechanism actions, dispatch instructions or other operational directions affecting the Relevant LDES Facility, to the extent specified in the RIGs; and

d) such supporting information and evidence as the Authority may reasonably require.

44 The Authority may require the licensee to provide further information, analysis or supporting evidence relating to information provided under paragraph 41 where the Authority reasonably considers such information necessary for the efficient administration or monitoring of:

a) the operation of the cap and floor regime;

b) the interaction between the Relevant LDES Facility and transmission constraints, network curtailment or balancing actions; or

c) whether any further reporting, assurance or regulatory measures are appropriate in relation to the Relevant LDES Facility.

45 The licensee must use best endeavours to cooperate with the ESO in relation to information, analysis and operational coordination relevant to transmission constraints, network curtailment and balancing actions, to the extent reasonably requested by the ESO and consistent with applicable Codes.

46 Nothing in paragraphs 43 or 50 imposes an obligation on the licensee to operate the Relevant LDES Facility in any particular manner during periods affected by transmission constraints, network curtailment, balancing actions or ESO System Events, except to the extent required under any applicable Code, Authority direction or other provision of this licence.

Part G ESO System Event Reporting

47 For the purposes of Part G, an ESO System Event means an event, alert, instruction, notification or other circumstance specified in the RIGs or by Authority direction, having regard to communications issued by the ESO relating to system security, system margins, balancing conditions, network constraints, network curtailment or other system stress conditions.

48 Where an ESO System Event occurs, the licensee must retain all records that demonstrate, to the extent relevant to the Relevant LDES Facility:

a) the operational status of the Relevant LDES Facility during the ESO System Event;

b) the capacity, energy capability and State of Energy of the Relevant LDES Facility during the ESO System Event;

c) any relevant instruction, notification, request or other communication received from the ESO;

d) any information provided by the licensee to the ESO; and

e) any material action taken by the licensee in response to the ESO System Event.

49 The Authority may require the licensee to provide information, analysis or supporting evidence relating to a ESO System Event where the Authority reasonably considers such information necessary for the purposes of assessing:

a) the availability and operation of the Relevant LDES Facility during the ESO System Event;

b) the extent to which the licensee complied with applicable Codes, Authority directions and relevant obligations under this licence;

c) the licensee's information sharing, transparency and reasonable cooperation with the ESO during the ESO System Event; or

d) whether further reporting, assurance or regulatory measures should be considered.

50 The Authority may require enhanced or more frequent reporting in relation to ESO System Events where it reasonably considers that:

a) information provided under Part G is incomplete, inconsistent or insufficient;

b) additional evidence is required to assess compliance with this licence; or

c) further monitoring is justified having regard to the nature, frequency or materiality of previous ESO System Events.

Part H Conditional Floor Accruals and Distribution lock up

51 This Part applies where the Relevant LDES Facility has a Project Finance Classification recorded in the FSPR.

52 Conditional Floor Accruals and the Conditional Floor Accrual Balance are calculated and recorded under Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue).

53 At any time when the Conditional Floor Accrual Balance is greater than zero (being the balance after giving effect only to repayments that have been paid or irrevocably netted under Special Condition 6 (Adjustments to licensee revenue) Part H), the licensee must not make any Distribution that is referable to the Relevant LDES Facility unless:

a) the licensee has notified the Authority of the proposed Distribution; and

b) the Authority has given prior written consent.

In applying this restriction, the licensee must treat any repayment amount that is determined but not yet paid/irrevocably netted as not reducing the Conditional Floor Accrual Balance.

54 The Authority may attach conditions to any consent under paragraph 53, including conditions on reserve accounts or other Financial Safeguards arrangements.

55 The licensee must report in its Annual Cap and Floor RIGs Submission:

a) the opening and closing Conditional Floor Accrual Balance for the year;

b) each Conditional Floor Accrual created in that year;

c) any Conditional Floor Accrual Repayment Amount identified under Special Condition 6 (Adjustments to licensee revenue); and

d) any Distribution consented to under paragraph 53 and the conditions that apply.

e) No consent may be given under this paragraph unless all $RepaymentAvailable_t$, $CFAcApplied_t$ and $ACODApplied_t$ amounts then due have first been paid to the ESO or irrevocably netted under Special Condition 6 Part H.

Part I Partial Years and interpretation

56 Where a Relevant Year is a Partial Year, the licensee must calculate EAC_t using T_t equal to the number of hours in that Partial Year.

57 Where Partial Year adjustment factors apply to the Floor Level under Special Condition 3 (Cap Level and Floor Level), the Authority may direct corresponding adjustments or checks to EAC_t or MAT_t to ensure consistent treatment. Any such direction must be recorded in the FSPR.

Part J Operation as LDES

58 The licensee must not, as persistent or routine operating practice, dispatch or schedule the Relevant LDES Facility in a manner that is materially inconsistent with the long-duration storage capability on which the Relevant LDES Facility was assessed and approved, including its Minimum Duration, Effective Usable Energy Capacity, Reference Capacity and any discharge duration or cycling parameters recorded in the FSPR. For the avoidance of doubt:

a) Compliance with this paragraph is to be assessed having regard to (among other things) the Rated Export Capacity, Rated Import Capacity, Effective Usable Energy Capacity, Minimum Duration, Reference Capacity, the Performance Tests in Schedule B, operational and cycling information as the Authority may require under the RIGs, the frequency and duration of discharge cycles, the extent of any rapid recharging and redispatch, and any other relevant information reasonably required by the Authority.

b) In determining whether an operating practice is persistent or routine, the Authority may have regard to the frequency, duration and regularity of the relevant operating pattern.

c) The licensee must not, as persistent or routine operating practice, dispatch or schedule the Relevant LDES Facility in a manner that routinely relies on repeated short-duration discharge cycles, rapid recharging and redispatch, or other cycling patterns that have the purpose or effect of allowing the Relevant LDES Facility, in aggregate, to deliver energy or service output materially beyond the long-duration operating envelope on which it was assessed and approved.

d) The obligations in Special Condition 18 (Market Participation) are subject to the licensee's obligations hereunder to operate the Relevant LDES Facility in a manner consistent with its function and design as a long-duration electricity storage facility.

e) A purpose of Periodic Performance Tests under Schedule B includes verifying that the Relevant LDES Facility continues to provide storage duration and capacity consistent with the long-duration capability on which it was assessed and approved, subject to Permitted Degradation.

f) The Authority may include in the RIGs annual reporting of operational and cycling data, including charge and discharge profiles, cycle counts, discharge durations and instances of rapid cycling, for the purposes of monitoring compliance with this licence as a long-duration electricity storage facility.

Special Condition 13 Cap and Floor Financial Model Governance

Purpose

1 The purpose of this condition is to set out governance, roles, responsibilities, change control, assurance and audit requirements for the LDES Cap and Floor Financial Models that the Authority approves for use under this licence.

2 The models must support the calculation of:

a) the Cap Level and the applicable Floor Level in accordance with Special Condition 3 (Cap Level and Floor Level);

b) Post Construction Adjustment terms in accordance with Special Condition 7 (Post Construction Adjustments);

c) Opex Reassessment Adjustment terms in accordance with Special Condition 8 (Opex Reassessment);

d) any decommissioning legislative change adjustment terms that are applied through the models in accordance with Special Condition 23 (Decommissioning); and

e) any other terms that this licence states are to be determined by reference to the LDES Cap and Floor Financial Models.

3 This condition also ensures that:

a) model calculations are consistent with this licence;

b) inputs and outputs are traceable to the FSPR and to the Cap and Floor RIGs;

c) the Authority can make model changes only through a controlled process, with a higher process for structural changes; and

d) the licensee cannot change the structure of the models except as permitted by this condition.

Structure of this condition

4 This condition is structured as follows:

a) Part A: Scope and approved models

b) Part B: Roles and responsibilities

c) Part C: Parameters, inputs and outputs

d) Part D: Model change categories and licensee obligations

e) Part E: Authority initiated modifications to the models

f) Part F: Assurance and External Model Auditor

g) Part G: Versioning, access and records

h) Part H: Error correction, remediation and administrative true ups

i) Part I: Interaction and interpretation

Part A Scope and approved models

Approved models

5 The Authority has published the LDES Cap and Floor Financial Model 1 (LDES CFFM1) for use:

a) from the Effective Licence Date; and

b) at Financial Close,

for determining preliminary Cap and Floor terms in accordance with Special Condition 3 (Cap Level and Floor Level) and Schedule A (ACOD Floor Level Schedule) where the ACOD Approach applies.

6 The Authority intends to identify and publish the LDES Cap and Floor Financial Model 2 (LDES CFFM2) for use during the Regime Duration to support ongoing calculations, assessment and settlement under these Special Conditions (including Special Condition 3 (Cap Level and Floor Level), Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue)). For the avoidance of doubt, where LDES CFFM2 is used before Post Construction Review, any PCA and ORA terms must be treated as zero unless and until determined by the Authority and recorded in the FSPR. Following Post Construction Review (and any subsequent determinations), the Authority may update LDES CFFM2 as necessary to reflect the resulting FSPR inputs and may publish the updated version.

7 The Authority will publish approved versions of LDES CFFM1 and LDES CFFM2, together with any model handbook and summary of changes, on its website or other repository that it specifies. More specifically, where this Special Condition requires publication of any change to a model it shall include that the Authority will publish the Authority Model Suite for each approved model version. Where LDES CFFM2 has not yet been published, is not available, or has not been specified by the Authority as the applicable model for a particular calculation or period, the Authority may by direction designate LDES CFFM1, or such other interim model version as it specifies, as the Authority approved model for the purposes of that calculation or period. The direction must specify the effective period. The direction must be recorded in the FSPR.

8 LDES CFFM1 and LDES CFFM2 (and any Authority Model Suite) are not part of this licence. Where there is any conflict between the text of this licence and the models, the licence prevails. For the purposes of these Special Conditions:

a) LDES CFFM1 is used for regime award and (where applicable) Financial Close outputs that are stated in this licence to be taken from LDES CFFM1;

b) where LDES CFFM2 is published and specified by the Authority as applicable, it is intended to be the Authority's operational model for ongoing calculations during the Regime Duration; and

c) where any adjustment term (including PCAC, PCAAF, ORAC or ORAF) has not yet been determined and recorded in the FSPR, that term must be treated as zero and calculations must proceed on that basis.

Use of the approved models

9 The licensee must use the latest Authority approved version of LDES CFFM1 or LDES CFFM2, as applicable, for:

a) all submissions and calculations that this licence states must be made by reference to the models; and

b) any other calculation that the Authority directs is to be made by reference to the models.

For the avoidance of doubt, the LDES CFFM (including any successor version) is used to determine preliminary cap and floor level terms and any revisions at PCR (or other pre-operational determinations). The annual Cap and Floor Assessment and settlement calculations during the operational period are performed in accordance with the licence formulae and are not required to be performed within the LDES CFFM.

10 The licensee must not substitute, bypass or modify the approved logic or structure of LDES CFFM1 or LDES CFFM2 (or the associated Authority Model Suite) for any purpose under this licence, except:

a) to enter or update inputs and parameters that this licence or the RIGs require; or

b) to apply a change that the Authority has approved under Part D or Part E of this condition.

11 Where the Authority issues a new approved version of LDES CFFM1 or LDES CFFM2 the licensee must:

a) adopt that version as its working copy for the Relevant LDES Facility from the effective date in the Authority direction; and

b) migrate inputs and project specific parameters from the previous version in accordance with any instructions that the Authority provides.

Part B Roles and responsibilities

Baseline ownership and operation

12 The Authority owns the baseline models, their handbooks and any reference cases.

13 The Authority will maintain a master copy and a change log for each approved model version.

14 The licensee must operate and maintain its own working copy of the approved models for the Relevant LDES Facility. The licensee is responsible for:

a) entering and updating inputs and project specific parameters;

b) preparing submissions and evidence packs;

c) ensuring that inputs are consistent with the FSPR and the RIGs; and

d) ensuring that it has not altered the structure or logic of the models except as permitted under this condition.

15 The Authority may rely on the latest Authority approved and auditor assured version of the models when making determinations under Special Condition 3 (Cap Level and Floor Level), Special Condition 5 (Cap and Floor Assessment), Special Condition 6 (Adjustments to licensee revenue), Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90), Special Condition 10 (Non Controllable Operational Costs) and Special Condition 23 (Decommissioning). All determinations under this licence are made by reference to calculations run by the Authority using the Authority approved version of the LDES Cap and Floor Financial Model. Licensee model runs are indicative only and do not bind the Authority. For each determination under this licence

that relies on an Authority Model Suite, the Authority must identify in the determination the Version Identifier used. The Version Identifier used for a determination is conclusive for that determination, subject only to Part H and Special Condition 6 (Adjustments to licensee revenue). The licensee may use its Licensee Working Copy to prepare submissions. The licensee must ensure that, where the same inputs are used, the outputs of the Licensee Working Copy match the outputs of the Authority Model. If the licensee identifies a mismatch, it must notify the Authority as soon as reasonably practicable and provide evidence of the mismatch.

Part C Parameters, inputs and outputs

Parameters and base year

16 Unless the Authority directs otherwise:

a) real prices used in the models must be expressed in the Base Year specified for that purpose in the FSPR and in the RIGs; and

b) CPIH uplift to nominal values applies only where this licence or the RIGs specify it.

17 Discounting within the models must use:

a) the Discount Factor series UF_t;

b) the Operational Discount Rate ODR_t; and

c) the Administrative True Up Rate ATR where this licence requires it,

in each case as defined in Special Condition 1 (Definitions and Interpretation) and Special Condition 5 (Cap and Floor Assessment) and applied in accordance with that condition.

Inputs

18 Inputs to the models must be consistent with, and traceable to:

a) the FSPR; and

b) any other parameter tables that the Authority directs in the RIGs.

Where there is any conflict between: (a) the text of this licence; (b) any parameter, value or designation recorded in the FSPR; (c) any requirement stated in the RIGs; and (d) the logic, structure, inputs or outputs of LDES CFFM1 or LDES CFFM2. The text of this licence prevails. The FSPR prevails over the RIGs and over the models. The Authority may direct any correction to the RIGs or the models that it considers necessary to reflect that hierarchy.

19 Inputs must include, where relevant for the calculation, at least:

a) P50 and P90 project cost scenarios and the Facility Cost Ceiling;

b) development, construction, commissioning, replacement and decommissioning cost items and timing;

c) fixed and variable operating cost profiles and any Authority directed exclusions;

d) finance parameters, including ACOD Floor Parameters where the ACOD Approach applies, in accordance with Schedule A (ACOD Floor Level Schedule);

e) CPIH series and Partial Year factors consistent with Special Condition 3 (Cap Level and Floor Level);

f) any Non Controllable Operational Costs baseline or other allowances that the Authority directs are to be represented in the models; and

g) any other parameter that the Authority directs in the RIGs.

Outputs

20 The models must calculate and present all values and terms that this licence states are to be determined by reference to LDES CFFM1 or LDES CFFM2.

21 Without limiting paragraph 20, the models must produce, in a form that can be reported through the RIGs, at least:

a) Cap Level CL_t for each Relevant Year including any Partial Year adjustment;

b) the applicable Floor Level FL_t for each Relevant Year including any Partial Year adjustment, being the Administrative Floor Level or ACOD Floor Level as determined under Special Condition 3 (Cap Level and Floor Level);

c) PCAC, PCAAF Admin and PCAAF candidate values for use at Post Construction Review under Special Condition 7 (Post Construction Adjustments);

d) ORAC, ORAAF Admin and ORAAF candidate values for use at Opex Reassessment under Special Condition 8 (Opex Reassessment);

e) any decommissioning cost adjustment terms that are to be applied through the models under Special Condition 23 (Decommissioning);

f) the Net Present Value and Discount Factor terms that Special Condition 5 (Cap and Floor Assessment) requires to be determined by reference to the models; and

g) any mapping tables and schedules that the RIGs specify for use in settlement under Special Condition 6 (Adjustments to licensee revenue).

22 The models must also calculate and show, for each Relevant $Year_t$:

a) $REAC_t$;

b) $CapOutcome_t$;

c) the licensee share of $REAC_t$, being $REAC_t$ minus $CapOutcome_t$.

$REAC_t$ and $CapOutcome_t$ have the meanings given in Special Condition 5 (Cap and Floor Assessment).

23 The Authority may specify further output schedules and templates in the RIGs. The licensee must use those templates when providing model outputs.

Part D Model change categories and licensee obligations

Change categories

24 For the purposes of this condition, changes to LDES CFFM1 or LDES CFFM2 (or Authority Model Suite) are classed as:

a) Type 1 changes. These are parameter updates and data refreshes. They include changes to values in the FSPR, CPIH series, tax rates, ACOD Floor Parameters and any other parameter or data item that this licence or the RIGs identify as an input.

b) Type 2 changes. These are corrections of manifest errors that do not change the approved model structure or policy. They include corrections to cell references, ranges, links or layout where the intended logic is clear and is not changed.

c) Type 3 changes. These are structural modifications. They include any change to the model structure, sheet structure, logic, calculation flow or methodology that could change how outputs are produced, other than a Type 2 correction.

For the purposes of this Special Condition, a change to the Model Handbook is not a change to the Authority Model Suite.

The Authority must classify each change as Type 1, Type 2, or Type 3. If there is doubt as to classification, the change is Type 3. A change is Type 3 where it changes, or is reasonably capable of changing, any output for any input set, other than by correcting a manifest error.

Licensee obligations

25 The licensee must not implement a Type 2 or Type 3 change to the working copy of Authority Model Suite for any purpose under this licence unless:

a) the Authority has first approved that change under this condition; or

b) the Authority has issued an approved new version that already includes that change.

26 The licensee must keep a change log for its working copies that records:

a) each Type 1 change it has made;

b) any Authority approved Type 2 or Type 3 change and the date it was applied; and

c) the Authority direction or RIGs instruction under which each change has been made.

Type 1 changes

27 The licensee must implement Type 1 changes:

a) where this licence requires it; or

b) where the Authority directs it through the RIGs or through a specific direction.

28 The licensee must ensure that its Type 1 changes match the values and effective dates that the Authority specifies. Absent an Authority direction all Type 1 changes must be accurate.

Type 2 changes requested by the licensee

29 Where the licensee identifies an error in the models that it considers to be a manifest error the licensee may request a Type 2 change.

30 A Type 2 request must include:

a) a description of the error and its location;

b) an explanation of why it is a manifest error;

c) a corrected version of the model;

d) an impact analysis that shows the effect on key outputs; and

e) an assurance statement from the External Model Auditor where the Authority requests it.

31 The Authority may agree that a change is a Type 2 change or may decide that it is a Type 3 structural modification.

32 Where the Authority agrees that a change is a Type 2 change it may approve that change after bilateral consultation with the licensee, without following the full procedure in Part E.

Part E Authority initiated modifications to the models

Authority structural modifications – Type 3

33 This Part E applies where the Authority proposes to make a Type 3 structural modification to the Authority Model Suite that is not only:

a) a Type 1 parameter update; or

b) a Type 2 manifest error correction that the Authority and the licensee agree is immaterial.

34 Before issuing any direction for a structural modification under this Part, the Authority will:

a) give notice to the licensee stating that it proposes to modify the Authority Model Suite; and

b) in that notice:

(i) specify the date on which it proposes that the modified model should take effect;

(ii) set out, or make available, the text or files for the modified model and the Authority reasons for the proposed modifications; and

(iii) specify the time within which representations may be made. The period for representations must not be less than 28 days from the date of the notice;

c) consider any representations from the licensee or any other stakeholder that are made within the period for representations and are not withdrawn

d) publish the notice on the Authority website.

35 After considering any representations the Authority may:

a) issue a direction that modifies the Authority Model Suite;

b) issue a direction that decides not to proceed; or

c) issue a further notice and repeat the process in paragraph 34.

36 A direction under this Part must set out:

a) the modifications to the model;

b) the date from which the modifications take effect; and

c) any transitional arrangements for submissions that are already in progress.

Immaterial and manifest error modifications by the Authority

37 Where the Authority and the licensee agree that:

a) a proposed modification is immaterial; or

b) a proposed modification is only to correct a manifest error and has no impact, or only a trivial impact, on Cap Level, Floor Level or other allowed terms,

the Authority may modify the model after bilateral consultation with the licensee without following paragraph 34.

38 The Authority will still issue a direction for any such modification and must update the published master copy and change log.

Part F Assurance and External Model Auditor

External Model Auditor

39 The Authority may appoint an External Model Auditor for all Relevant LDES Facilities for the purposes of this condition.

40 The licensee must cooperate with the External Model Auditor and give it reasonable access to models, inputs, outputs and supporting information.

Scope of assurance

41 The Authority may require assurance from the External Model Auditor in relation to:

a) Type 2 corrections that the Authority considers material;

b) proposed Type 3 structural modifications; and

c) submissions that support:

(i) regime award values where the models are used;

(ii) Financial Close where the ACOD Approach applies;

(iii) Post Construction Review;

(iv) Opex Reassessment;

(v) decommissioning change in law adjustments that are applied through the models; and

(vi) any other submission or update that the Authority specifies in the RIGs.

42 Assurance must be provided in the form and by the date specified in the RIGs.

43 Where assurance is required the assurance pack must include, as applicable:

a) the model workbook file or files, with calculation sheets open for audit;

b) a change log that shows the differences from the prior approved version;

c) a model map that traces key outputs to inputs and calculations;

d) an evidence index that links model inputs to the FSPR, invoices, contracts and CPIH series

e) test results, including any runs of Authority reference cases; and

f) an External Model Auditor sign off that the model conforms to approved logic, that inputs are traceable and that results can be reproduced.

Where the Authority publishes Authority Reference Cases for an Authority Model Suite, the licensee must run those Authority Reference Cases on its Licensee Working Copy.

Part G Versioning, access and records

Version control

44 The licensee must keep a version registry for LDES CFFM1 and LDES CFFM2 for the Relevant LDES Facility. The registry must record for each version used:

a) the version identifier;

b) the date the version came into use;

c) the date it ceased to be used;

d) the change type or Authority modification that led to the new version; and

e) any External Model Auditor references.

45 The licensee must keep all model versions and associated submission packs for at least the retention period that the RIGs specify.

Access

46 The licensee must provide the Authority and the External Model Auditor with copies of model files, inputs, outputs and supporting artefacts on request.

47 The licensee must handle confidential information in accordance with the generation licence and any applicable law.

Part H Error correction, remediation and administrative true ups

48 If the licensee identifies or is informed of an error in a model or in a submission that uses the model, the licensee must:

a) notify the Authority as soon as reasonably practicable;

b) identify the affected cells, sheets and outputs;

c) assess the impact on Cap Level, Floor Level, PCA terms, ORA terms and any related settlement amounts; and

d) propose a corrective action plan and timing.

49 Where an error is in the model structure or logic the Authority will decide whether it is a Type 2 correction or a Type 3 structural modification and will apply Part D or Part E as appropriate.

50 The Authority may direct remedial steps including recalculation of affected terms and replacement of prior determinations, subject to legal limits.

51 Where timing differences arise because of a correction the Authority may apply an administrative true up using the Administrative True Up Rate in accordance with Special Condition 6 (Adjustments to licensee revenue).

52 Corrections must avoid double counting and must maintain net present value neutrality across the affected periods, so far as this is consistent with this licence and with statute.

53 Where the Authority is satisfied that application of the financial model produces an outcome that is inconsistent with the purpose or effect of these Special Conditions, the Authority may direct an alternative treatment that better reflects the licence intent, provided such direction is reasoned and proportionate

Part I Interaction and interpretation

54 For the avoidance of doubt:

a) Where any Cap Level, Floor Level, Assessed Revenue, net present value outcome or settlement amount is required to be determined under this licence, the Authority's determination prevails over any output of the LDES Cap and Floor Financial Models, and the Authority may revise, replace or override any model output to the extent necessary to give effect to this licence. Any such revision or override may be made by direction or determination without constituting a modification of the financial model.

b) In making any determination under this licence, including determinations under Special Condition 3 (Cap Level and Floor Level), Special Condition 4 (Assessed Revenue and Revenue Netting), Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue), the Authority may review, revise, reject or replace any input, assumption or parameter used in a calculation, whether provided by the licensee, derived from a financial model or taken from any other source, to the extent necessary to ensure that the determination gives proper effect to this licence. Any such revision must be reasonable, proportionate and supported by reasons.

55 Where this licence states that a term is to be set or adjusted by reference to LDES CFFM1 or LDES CFFM2, that term must be taken from the relevant model output, provided that:

a) the model is the latest Authority approved version;

b) the inputs match the values in the FSPR and any relevant Authority direction; and

c) there is no conflict with this licence.

56 Where there is any conflict between:

a) the text of this licence, and

b) the logic or outputs of LDES CFFM1 or LDES CFFM2,

the text of this licence prevails. The Authority may then modify the model under this condition so that it is consistent with the licence.

57 Where the Model Handbook specifies a step, mapping, template, or control for use under this licence, the licensee must comply with it. This paragraph applies only to the extent the Model Handbook is consistent with this licence and the FSPR. If there is inconsistency, the licensee must notify the Authority as soon as reasonably practicable. The Authority may issue a direction to resolve the inconsistency.

Special Condition 14 Information, Reporting and Audit

Purpose

1 This condition requires the licensee to collect, maintain, submit and retain all information, records, model artefacts and supporting evidence reasonably required by the Authority to:

a) demonstrate compliance with this licence;

b) enable the Authority to make determinations under this licence; and

c) support audit, assurance and reconciliation of all calculations, submissions and settlements under the cap and floor regime.

2 This Special Condition operates subject to Special Condition 20 (RIGs). Where Special Condition 20 (RIGs) or another Special Condition sets specific requirements for a process, those requirements prevail. This Special Condition is a backstop for audit, verification, and ad hoc requests.

Scope

3 The licensee must collect and maintain all information, records and evidence necessary to give effect to every obligation under this licence, including obligations arising under any Special Condition, Schedule or Authority direction.

4 Where this licence requires the licensee to provide information, submissions or notifications, the licensee must do so in the form, content and by the date specified by the Authority in the RIGs or by direction.

Information management and submissions

5 The licensee must maintain complete, accurate and auditable records of all data, assumptions, calculations, models, versions and evidence used in connection with:

a) Cap Level and Floor Level calculations;

b) Assessed Revenue and its components;

c) availability, performance and eligibility assessments;

d) adjustments, true ups and settlements; and

e) any other determination made by the Authority under this licence.

6 Records and artefacts must be sufficient to allow the Authority, or any person appointed by the Authority, to reproduce and verify the relevant calculation or determination.

7 All submissions must be complete, accurate and internally consistent.

8 Each submission must be certified by a senior officer of the licensee in the manner specified by the Authority.

9 The licensee must, on request by the Authority, provide such information and supporting evidence as the Authority may reasonably require for the purposes of assessing compliance with this Licence, including compliance with Special Condition 12 (Technical Capability, Availability and Floor Eligibility), where such information relates to:

a) operational data, monitoring information, forecasting information, telemetry or other information relating to the operation, dispatch or availability of the Relevant LDES Facility;

b) information provided, or required to be provided, under the Grid Code or any other applicable Code; and

c) compliance with paragraphs 5 and 6 of Special Condition 12 (Technical Capability, Availability and Floor Eligibility), including the steps taken by the licensee to satisfy any best endeavours obligation under that condition.

10 Where the Authority reasonably considers that:

a) the information or evidence provided under paragraph 9 is insufficient to assess compliance with this licence; or

b) there may be a material issue relating to compliance with this licence, including paragraphs 5 or 6 of Special Condition 12 (Technical Capability, Availability and Floor Eligibility),

the Authority may require the licensee to:

(i) provide further information or supporting evidence;

(ii) prepare and implement a corrective action plan; and

(iii) provide enhanced or more frequent reporting for such period as the Authority may reasonably specify.

11 Information requested under paragraphs 9 or 10 must be provided in the form, manner and by the date specified by the Authority, including through the RIGs where the Authority considers this appropriate.

12 Where the licensee conducts activities that involve working with or making decisions about the use, disclosure, publication, or governance of energy system data, the licensee must use all reasonable endeavours to act in accordance with the Authority's Data Best Practice Guidance. In doing so:

a) The licensee must publish and maintain a digitalisation strategy and a digitalisation action plan in accordance with the Authority's Data Best Practice Guidance and must:

(i) publish current and archived versions on its website; and

(ii) notify the Authority of updates.

Nothing in this paragraph requires disclosure of information to the extent doing so would breach law, the Codes, or any restriction on security-sensitive, confidential, or personal data.

Audit and access

13 The Authority may carry out audits, reviews or examinations of any information, record, calculation, model or submission maintained or provided under this Licence.

14 For this purpose, the licensee must, on request and within the period specified by the Authority:

a) provide access to all relevant records, models, systems and supporting documentation;

b) provide reasonable assistance, including access to knowledgeable personnel; and

c) procure cooperation from any Affiliate, Associate or contractor to the extent reasonably necessary. As such, the licensee must ensure that new and renewed material contracts for works, goods or services relevant to this licence include provisions that enable compliance with this Special Condition, including reasonable audit and data access rights.

15 The Authority may require independent verification or assurance of any matter where it considers this necessary, having regard to materiality, risk or inconsistency.

Retention

16 The licensee must retain all records, submissions, model versions and supporting evidence for at least the longest period required by:

a) Special Condition 20 (RIGs);

b) Special Condition 15 (Regulatory Accounts); and

c) applicable law,

if the Authority directs a longer period for specified classes of record, the licensee must comply with that direction.

Error correction and resubmission

17 If the licensee identifies, or is notified of, any error, omission or inconsistency in any information, record or submission, it must notify the Authority promptly and correct the item as directed by the Authority.

18 The Authority may require recalculation, replacement of determinations or administrative true ups to ensure accuracy and net present value neutrality. The Authority may require the licensee to correct, resubmit, or reperform calculations to correct errors or omissions. Any restatement of values used for settlement, and any cash effect of that restatement, must be implemented only through the mechanisms in Special Condition 6 (Adjustments to licensee revenue) and any model error process in Special Condition 13 (Cap and Floor Financial Model Governance), and only to the extent permitted by this licence.

Confidentiality

19 Confidential information must be handled in accordance with applicable law. Nothing in this condition prevents the Authority from publishing determinations, summaries or findings, subject to appropriate redaction.

Interpretation

20 This condition applies in addition to, and does not limit, any information, reporting or audit obligation under any other provision of this licence.

21 Where there is any conflict between this condition and another Special Condition or Schedule in relation to a specific process or event, the more specific provision prevails.

Special Condition 15 Regulatory Accounts

Purpose

1 The purpose of this Special Condition is to require the licensee to keep separate accounts and records for the Relevant LDES Business and to prepare Regulatory Accounts for each Relevant Year on a basis that can be reconciled to the licensee's statutory accounts.

2 This Special Condition applies whether the Relevant LDES Facility sits in a stand-alone project vehicle or in a wider group, and whether or not other activities are carried on at the same site.

Structure

3 This Special Condition is structured as follows:

a) Part A: Preparation of Regulatory Accounts.

b) Part B: Records and allocation.

c) Part C: Consistency with statutory accounts.

d) Part D: Assurance and agreed procedures.

e) Part E: Submission, publication and provision.

Part A Preparation of Regulatory Accounts

4 For each Relevant Year, the licensee must prepare Regulatory Accounts for the Regulated Business.

5 Regulatory Accounts must, as a minimum, include for the Regulated Business:

a) an income statement;

b) a balance sheet;

c) a cash flow statement; and

d) notes that set out:

(i) the accounting policies used;

(ii) the basis for allocating shared items; and

(iii) material related-party transactions affecting the Regulated Business.

6 Where the licensee carries on any other business, the Regulatory Accounts must present the Regulated Business as a separate segment, showing the split of revenue, costs, assets and liabilities between:

a) the Regulated Business; and

b) other activities of the licensee.

7 The Authority may direct the form, level of detail and templates for the Regulatory Accounts or set them out in the RIGS.

Part B Records and allocation

8 The licensee must keep, and must ensure that any Affiliate, Associate or Related Undertaking that enters into transactions with the Regulated Business keeps, accounting and other records that are sufficient to:

a) identify all revenues, costs, assets, liabilities, reserves and provisions of, or attributable to, the Regulated Business; and

b) support the allocations used in the Regulatory Accounts.

9 Records under paragraph 8 must be kept for at least the period that would be required under section 388 of the Companies Act 2006 for statutory accounting records, or such longer period as the Authority may direct.

10 Where a cost, revenue item, asset or liability relates to both the Regulated Business and any other business of the licensee or any co located asset, the licensee must:

a) allocate that item between the Regulated Business and other business on a reasonable and evidence-based basis; and

b) ensure that the basis of allocation is consistent with Schedule C (Co-Location and Behind the Meter Generation) and with any directions or guidance given by the Authority.

Where Schedule C (Co-Location and Behind the Meter Generation) applies, the allocation basis must be consistent with the confirmed attribution methodology and any authority direction under Schedule C (Co-Location and Behind the Meter Generation). Where there is conflict, Schedule C (Co-Location and Behind the Meter Generation) and any Authority direction prevail.

11 The licensee must ensure that the systems and records used for the Regulatory Accounts are consistent with those used for:

a) Assessed Revenue, Market Related Costs and Non Controllable Operational Costs under Special Condition 4 (Assessed Revenue and Revenue Netting) and Special Condition 10 (Non Controllable Operational Costs); and

b) Excluded Costs and related governance under this licence and the FSPR.

Part C Consistency with statutory accounts

12 Regulatory Accounts must be prepared using the same Applicable Accounting Framework as the licensee's statutory accounts for the same period. For the avoidance of doubt this means EU adopted IFRS, FRS101 or FRS102.

13 Regulatory Accounts must be prepared on a basis that is consistent from year to year, except where a change is:

a) required by the Applicable Accounting Framework; or

b) approved by the Authority.

14 The licensee must ensure that the Regulatory Accounts can be reconciled to the statutory accounts for the same period. The licensee must include within the notes a reconciliation between:

a) the Regulated Business income statement lines; and

b) the values reported under the annual cap and floor rigs submission for Gross Revenue, Market Related Costs, Non Controllable Operational Costs, and Assessed Revenue,

explaining all material differences in classification, timing, and scope.

15 The licensee must provide, as part of the notes to the Regulatory Accounts, a reconciliation that shows how key lines in the Regulatory Accounts for the Regulated Business relate to the corresponding lines in the licensee's statutory accounts.

Part D Assurance and agreed procedures

16 The licensee must ensure that its statutory auditor is engaged to provide such assurance or agreed procedures on the Regulatory Accounts as the Authority may specify in Regulatory Instructions and Guidance or by direction.

17 Where the Authority so specifies, the licensee must ensure that the statutory auditor:

a) reviews the Regulatory Accounts and reports whether, in the auditor's opinion, they have been prepared in accordance with this Special Condition; and

b) performs agreed procedures in relation to:

c) allocation of shared items between the Regulated Business and other business;

d) related-party transactions that affect the Regulated Business; and

e) any matters relevant to the prevention of cross-subsidy and to the operation of Excluded Costs and Non Controllable Operational Costs under this licence.

f) The licensee must provide any auditor's report prepared under this paragraph 17 to the Authority by the date specified in Regulatory Instructions and Guidance or by direction.

Part E Submission, publication and provision

18 The licensee must submit the Regulatory Accounts for each Relevant Year to the Authority in the form and by the date specified in Regulatory Instructions and Guidance under Special Condition 20 (RIGs), or in any direction given for this purpose.

19 Nothing in the Standard Conditions (including Standard Condition 16 (Regulatory Accounts), where it has effect) requires the licensee to classify, allocate, recognise or report any amount in a way that would prevent compliance with these Special Conditions or the RIGs. Where any inconsistency arises, the licensee must follow these Special Conditions and the RIGs for cap and floor purposes and must provide a reconciliation explaining the difference in its Regulatory Accounts or other submissions if required.

Special Condition 16 Financial Safeguards

Purpose

1 The purpose of this Special Condition is to Ring-Fence the Regulated Business within the licensee, to prevent unfair commercial advantage to any other business of the licensee or any Affiliate, Associate or Related Undertaking, and to require clear separation of activities, information and accounts for the Regulated Business, including where the Relevant LDES Facility is co located with other assets.

Structure

2 This Special Condition is structured as follows.

a) Part A: General obligation.

b) Part B: Separation of the Regulated Business.

c) Part C: Regulatory information controls.

d) Part D: Compliance Statement.

e) Part E: Compliance Report.

Part A General obligation

3 The licensee must conduct the Regulated Business in a way that does not give any unfair commercial advantage to:

a) any other business of the licensee; or

b) any Associate or Related Undertaking of the licensee.

4 The licensee must not conduct the Regulated Business in a way that allows any other business of the licensee, or any Associate or Related Undertaking, to avoid or reduce compliance with this licence or with any law or Code that applies to that business.

Part B Separation of the Regulated Business

5 The licensee must organise its affairs so that the Regulated Business is identifiable and managed as a distinct business unit within the licensee.

6 The licensee must keep separate records for the Regulated Business that identify, for that business:

a) assets;

b) liabilities;

c) income; and

d) expenditure.

7 Where the licensee carries on any other business, or holds any other assets at the same site as the Relevant LDES Facility, the licensee must maintain accounting records that distinguish clearly between:

a) the Regulated Business, and

b) any other business of the licensee and any co located assets.

8 The licensee must ensure that decisions about the management, operation and financing of the Regulated Business are taken in the interests of that business and in compliance with this licence.

9 The licensee must not allow the assets, staff, systems or other resources of the Regulated Business to be used in a way that leads to:

a) cross subsidy between the Regulated Business and any other business of the licensee, or

b) cross subsidy between the Regulated Business and any Associate/Related Undertaking,

except where the arrangement is on an arm's length basis and is permitted under this licence.

10 Where the Relevant LDES Facility is co located with generation, load or other storage or operates behind the meter, the licensee must put in place and maintain metering, sub metering or other measurement and allocation arrangements that are sufficient to:

a) support the separation of Gross Revenue, Market Related Costs and Non Controllable Operational Costs for the Relevant LDES Facility in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) and Schedule C (Co-Location and Behind the Meter Generation), and

b) support the separate accounts required under this Special Condition.

Part C Regulatory information controls

11 For the purposes of this Part C, Non Public Regulatory Information means any information that:

a) the licensee holds as part of its Regulated Business that may impact market prices; or

b) the licensee receives from the Authority, the ESO or any other public body under or in connection with this licence, and (in each case)

c) is not in the public domain.

12 Non Public Regulatory Information includes, without limitation:

a) information on cap and floor determinations;

b) information on settlement or true up amounts;

c) information on BSUoS forecasts or other funding forecasts that the Authority or the ESO supplies under this licence; and

d) any other non public information that the Authority identifies by direction for the purposes of this Special Condition. This also includes any analysis, forecast, model output, summary, extract, or other information that is derived from, reflects, or could reasonably be used to infer non public regulatory information.

13 The licensee must use Non Public Regulatory Information only for the purposes of:

a) the Regulated Business, and

b) complying with this licence and any Code.

14 The licensee must not use Non Public Regulatory Information to give any other business of the licensee, or any Associate, or any Related Undertaking an unfair commercial advantage in any market. The licensee must notify the Authority in writing as soon as reasonably practicable if it becomes aware of any actual or suspected breach of this Part C.

15 Nothing in this Part C prevents the licensee from using information that:

a) is already in the public domain, or

b) the Authority has directed may be shared more widely.

Part D Compliance Statement

16 Within ninety days of the Effective Licence Date, the licensee must have in place a Compliance Statement for this Special Condition.

17 The Compliance Statement must be approved by the Authority.

18 The Compliance Statement must describe the practices, procedures and systems that the licensee has put in place, or will put in place, to ensure compliance with:

a) Part A and Part B of this Special Condition;

b) Part C of this Special Condition; and

c) any related Financial Safeguards, arm's length or procurement obligations in this licence, to the extent they relate to separation of the Regulated Business and co located assets.

19 The Compliance Statement must in particular explain how the licensee will:

a) keep the Regulated Business identifiable and managed as a distinct business unit;

b) keep separate accounts and records for the Regulated Business and for any co located assets;

c) manage staff and decision making so that the Regulated Business is not run in the interests of any other business of the licensee or any Associate; and

d) control the use and disclosure of Non Public Regulatory Information in line with Part C of this Special Condition.

20 The licensee may propose revisions to the Compliance Statement at any time. Any revision must be approved by the Authority before it takes effect.

21 The licensee must publish the current Compliance Statement in the manner and within the time period specified by the Authority, which may include publication on the licensee's website.

Part E Compliance Report

22 The licensee must prepare and send to the Authority a Compliance Report for this Special Condition at least once in every twelve month period, or at such other times as the Authority may direct.

23 The Compliance Report must describe:

a) the steps taken by the licensee during the period to comply with this Special Condition;

b) any material changes to the practices, procedures and systems described in the Compliance Statement;

c) any internal investigations or reviews carried out by the licensee in relation to this Special Condition; and

d) any remedial actions taken by the licensee.

The Compliance Report must be accompanied by a certificate that confirms that the report is accurate, has been approved by a resolution of the licensee's board of directors, and has been signed by a director.

Special Condition 17 Financial Resilience

Purpose

1 The purpose of this Special Condition is to:

a) require the licensee to maintain financial resilience so that it can develop, operate and maintain the Relevant LDES Facility and meet its obligations under this licence; and

b) restrict the level and nature of Indebtedness, including a Gearing Cap, so that the financial structure of the Relevant LDES Facility remains compatible with the cap and floor regime.

Structure

2 This Special Condition is structured as follows:

a) Part A: General financial resilience obligations.

b) Part B: Gearing Cap and restrictions on Indebtedness.

c) Part C: Monitoring, notification and remedial plans.

d) Part D: ACOD Floor.

Part A General financial resilience obligations

3 The licensee must at all times ensure that it has, and expects to continue to have, financial resources and arrangements that are sufficient to:

a) economically and efficiently develop, operate, maintain and decommission the Relevant LDES Facility and run the Regulated Business; and

b) comply in all respects with its obligations under this licence, applicable law and all relevant Codes.

4 Without limiting paragraph 3, the licensee must ensure that:

a) liquidity and debt service arrangements are maintained at levels consistent with Good Industry Practice for energy-infrastructure assets of comparable scale and risk; and

b) the terms of its Indebtedness, including covenants and financial ratios, are compatible with the cap and floor regime and do not materially increase the risk that the licensee will be unable to comply with this licence.

Part B Gearing Cap and restrictions on Indebtedness

5 The licensee must ensure that Gearing does not exceed the Gearing Cap.

6 The licensee must not:

a) increase its Debt; or

b) amend or refinance existing Debt,

c) if doing so would reasonably be expected to cause Gearing to exceed the Gearing Cap when calculated on the basis recorded in the FSPR.

7 Where Gearing exceeds the Gearing Cap solely because of:

a) movements in inflation, interest rates or exchange rates; or

b) changes in accounting standards or classification,

and not because of new Indebtedness, the licensee must:

(i) notify the Authority in accordance with paragraph 14; and

(ii) prepare a remedial plan in accordance with paragraph 17.

For the avoidance of doubt, this paragraph 7 does not permit the licensee to incur further Debt that would increase Gearing.

8 Save where the Authority agrees otherwise, the licensee must not incur Indebtedness unless:

a) the Indebtedness is for the purposes of financing, refinancing or hedging the Relevant LDES Facility or for working capital or general corporate purposes related to that Facility;

b) the Indebtedness is on arm's length terms and on normal commercial terms; and

c) the Indebtedness is consistent with this Special Condition and with any restrictions on security, Receivables and cross-default in Special Condition 27 (Disposals).

9 The licensee must not enter into any Indebtedness or related transaction where a default by an Affiliate, Associate or Related Undertaking would, solely by reason of that default, trigger a default in respect of Debt of the licensee, unless the Authority has given prior written consent and any conditions it has attached to that consent are met.

10 The licensee must not incur, amend, refinance or permit to subsist any Shareholder Debt unless it is Permitted Shareholder Debt or the Authority has given prior written consent. For the avoidance of doubt, any Shareholder Debt that is not Permitted Shareholder Debt is treated as Debt for the purposes of calculating Gearing.

11 The licensee must not enter into any arrangement, transaction or series of related transactions which has the main purpose, or one of the main purposes, of avoiding or reducing the effect of the Gearing Cap. This includes any arrangement that seeks to avoid classification as Indebtedness through trade credit, prepayments, structured transactions, intra-group arrangements, fees, or any other transfer of value.

Part C Monitoring, notification and remedial plans

12 The licensee must monitor Gearing on a continuous basis using the methodology set out in the FSPR.

13 The licensee must calculate and report Gearing for each Relevant Year in its Financial Resilience Report under this licence, in the form and by the dates specified in the RIGs.

14 If the licensee reasonably expects that Gearing will exceed the Gearing Cap, or has exceeded the Gearing Cap, it must notify the Authority in writing as soon as reasonably practicable and in any event within five Working Days of becoming aware of that expectation or exceedance. Further, the licensee must notify the Authority in writing as soon as reasonably practicable if:

a) the licensee is in breach of any financial covenant under any Senior Debt;

b) any event of default or potential event of default occurs under any Senior Debt;

c) any waiver, forbearance, or reservation of rights is sought or granted in relation to any Senior Debt; or

d) any enforcement step is threatened or taken in relation to any Senior Debt or related security.

The notice must be given no later than five Working Days after the licensee becomes aware of the relevant matter

15 A notification under paragraph 14 must include:

a) the latest calculation of Gearing and the underlying figures for Debt and Equity;

b) the reasons for the expected or actual exceedance of the Gearing Cap; and

c) any immediate steps the licensee has taken to mitigate the position.

16 Where Gearing exceeds the Gearing Cap, the licensee must, within thirty Working Days of the notification under paragraph 14, submit to the Authority a remedial plan that sets out:

a) the measures it proposes to take to bring Gearing back to, or below, the Gearing Cap; and

b) a reasonable timetable for implementing those measures.

17 Measures in a remedial plan may include, without limitation:

a) equity injections or retention of earnings;

b) reductions in Debt, including prepayments or refinancing; and

c) restrictions on Distributions or new Indebtedness beyond those already required by this licence.

18 Following review of the remedial plan, the Authority may:

a) accept the plan;

b) require modifications to the plan; and

c) direct the licensee to take additional actions, including temporary restrictions on Distributions, new borrowing, or intra-group transfers, for such period and on such conditions as the Authority may reasonably specify.

19 The licensee must implement any remedial plan and any direction given under paragraph 18 in accordance with the applicable requirements in the RIGs and any Authority direction.

20 Where:

a) Gearing exceeds the Gearing Cap; or

b) the licensee has notified the Authority that it reasonably expects that Gearing will exceed the Gearing Cap,

the licensee must not make any Distribution unless the Authority has given prior written consent. The Authority may attach conditions to any consent under this paragraph. The restriction in this paragraph applies until the Authority confirms in writing that:

c) Gearing is at or below the Gearing Cap; and

d) any remedial plan required under this Special Condition has been implemented to the Authority's satisfaction.

21 The licensee must maintain and submit to the Authority (in the form and frequency specified in the RIGs) a Financing Register for the Relevant LDES Facility showing, for each financing instrument or arrangement:

a) principal amount (and undrawn commitments), maturity, ranking and security;

b) whether it is treated as Senior Debt, Shareholder Debt or Equity for the purposes of this licence and the basis for that treatment; and

c) any rights that could reasonably affect gearing or distributions (including cash sweeps, payment blocks, step-ups, conversion features, and intra-group set-off).

The Financing Register must be certified by a director (or other authorised signatory) as complete and accurate in all material respects.

Part D ACOD Floor

22 Where the ACOD Approach applies, ACOD consumer support means the ACOD Differential balance calculated and recorded in accordance with Special Condition 4 (Assessed Revenue and Revenue Netting) Part F (ACOD Approach and Differential Tracking).

23 From the first Relevant Year in which an ACOD Differential balance arises, the licensee must not make any Equity Distribution referable to the Relevant LDES Facility unless and until the ACOD Differential balance is zero, except with the prior written consent of the Authority. The licensee must not take any action or omission whose purpose or effect is to circumvent this restriction, including by making or facilitating payments that are economically equivalent to an Equity Distribution.

24 Repayment of the ACOD Differential balance must be made solely from Surplus Assessed Revenue arising in Relevant Years in which Assessed Revenue exceeds the applicable Floor Level.

25 The identification of Surplus Assessed Revenue, and the application of repayments to reduce the ACOD Differential balance, are determined in accordance with Special Condition 5 (Cap and Floor Assessment) and settled in accordance with Special Condition 6 (Adjustments to licensee revenue).

26 The prohibition in paragraph 23 applies notwithstanding that:

a) the ACOD Floor Level was approved by the Authority;

b) the repayment arises in a later Relevant Year or Relevant Assessment Period; or

c) the licensee has complied with all other financial resilience requirements under this licence.

27 The licensee must not structure financing arrangements, shareholder payments or intra group transactions so as to circumvent the application of this Part.

Special Condition 18 Market Participation

Purpose

1 The purpose of this Special Condition is to set out the licensee's duties in respect of: (a) market participation and revenue management; and (b) prevention of manipulation of the cap and floor regime, including ensuring that the Relevant LDES Facility participates in electricity markets so as to contribute to the efficient operation of the electricity system.

Structure of this Special Condition

2 This Special Condition is structured as follows:

a) Part A: Market participation and revenue management;

b) Part B: Price taking market participation;

c) Part C: Exceptions for system security and System Operator instructions;

d) Part D: Prohibition of manipulation;

e) Part E. Interpretation.

Part A Market participation and revenue management

3 The licensee must use reasonable endeavours to efficiently manage External Revenue from the Relevant LDES Facility, consistent with Good Industry Practice, the operational and technical parameters of the Relevant LDES Facility as recorded in the FSPR, and all other obligations under this licence and applicable law.

4 For the purposes of paragraph 3, the licensee must:

a) Participate in all eligible electricity markets for which the Relevant LDES Facility is qualified, including markets for energy, balancing, ancillary services and capacity, across forward, day ahead, intraday and real time timeframes where applicable. The licensee must obtain and maintain such qualification where technically and commercially feasible. Where the Relevant LDES Facility does not participate, or participates only to a limited extent, in an electricity market for which it is qualified, the licensee must demonstrate, to the reasonable satisfaction of the Authority and supported by sufficient evidence, that such non-participation or limited participation was reasonable in the circumstances.

b) Not unreasonably withhold the Relevant LDES Facility from participation or service, or limit its availability where this would forego achievable External Revenue, except where doing so is reasonable in the circumstances and consistent with paragraph 3.

c) Where the Relevant LDES Facility is eligible to participate in the Capacity Market, wholesale electricity markets or balancing markets, the licensee must participate unless the licensee demonstrates, to the reasonable satisfaction of the Authority and supported by sufficient evidence, that non-participation was reasonable in the circumstances.

5 The obligations in this Part A apply from such date before Full Commissioning Date as the Authority may direct, and in any event, from Full Commissioning Date until the Regime End Date or any earlier date on which this Special Condition is revoked.

6 The licensee must ensure that, by Full Commissioning Date, it has in place the personnel, systems, commercial management arrangements, and market access arrangements needed to meet the

duties in this Part A, including through appropriately qualified third parties where applicable. The licensee must maintain records sufficient to demonstrate compliance with this Special Condition. Those records must include trading and dispatch decision records, market participation records, and any Optimiser instructions and outcomes attributable to the Relevant LDES Facility, and records explaining any material non-participation or materially limited participation, in an electricity market for which the Relevant LDES Facility is qualified. The licensee must provide those records to the Authority on request and in the form and by the date specified in the RIGs or by direction.

Part B Price taking market participation

7 The Authority may by direction require the licensee to participate in specified electricity markets, market products or market arrangements, and specify the manner in which such participation is to occur. In exercising its powers under this Part B, the Authority will have regard to the licensee's obligations under Part A and the efficient operation of the electricity system.

8 Where the Authority gives a direction under paragraph 7, the licensee must comply with that direction by submitting price-taking bids or offers (or equivalents, each as defined in the RIGs) for the Relevant LDES Facility. Unless the Authority directs otherwise, such bids or offers must cover the full Available Capacity of the Relevant LDES Facility for the relevant market product and period (or such minimum proportion as the Authority specifies in the direction). A direction under this Part B must be consistent with Legal Requirements and the Codes. If the licensee reasonably considers that compliance with a direction would conflict with Legal Requirements or a specific instruction under the Codes, the licensee must notify the Authority as soon as reasonably practicable and provide reasons and evidence. The licensee must not comply with this Part B by submitting bids or offers that are de minimis, notional, or otherwise not reasonably capable of resulting in dispatch or award where the market clears on competitive terms.

9 A direction under paragraph 7 may specify:

a) The electricity markets, market products, or market arrangements to which the requirement applies.

b) The periods for which the requirement applies.

c) The basis on which “Available Capacity” is to be determined for the purposes of paragraph 8 (including any metering, telemetry or Code-based parameters, and any permitted exclusions).

d) Any minimum proportion, bid/offer format, and any limits or guardrails needed to ensure the bids/offers are price-taking and effective.

10 Where the Authority has issued a direction under paragraph 7, the licensee must submit bids and offers for the Relevant LDES Facility in accordance with that direction and must not submit bids or offers that are inconsistent with it.

11 The Authority may vary or revoke a direction under paragraph 7 by a further direction.

Part C Exceptions for system security and System Operator instructions

12 The duties in Part A and any requirement under Part B do not apply to the extent that the licensee departs from them only so far as is necessary in order to:

a) comply with a specific instruction or dispatch order given by the ESO or any successor system operator under an applicable Code or other legal requirement; and

b) respond to an emergency or unforeseeable event where the licensee reasonably considers that different operation of the Relevant LDES Facility is necessary to protect system security or the Facility, and where there is no time or opportunity to obtain instructions from the ESO.

13 Where paragraph 12b) applies, the licensee must notify the Authority as soon as reasonably practicable after the event. The notification must describe:

a) the circumstances and the actions taken; and

b) why the licensee considered that departure from the duties in Part A or Part B was necessary for system security or the Relevant LDES Facility.

14 Any departure from Part A or Part B under paragraph 12 must be limited to the period and extent that is reasonably necessary for the reasons in that paragraph.

Part D Prohibition of manipulation

15 The licensee must not operate, schedule, bid, trade or report revenues or costs for the Relevant LDES Facility/Regulated Business in a way that has the purpose, or that it knows or ought reasonably to know has the likely effect, of gaming or distorting the operation of the cap and floor regime.

16 Without limiting paragraph 15, the licensee must not:

a) Deliberately withhold capacity, delay dispatch, or submit inflated offer prices at times when operation of the Relevant LDES Facility would otherwise be reasonably expected to generate positive net revenues, where the main purpose is to reduce External Revenue so as to increase Floor Level support or to avoid sharing Revenue Excess at Cap.

b) Enter into transactions, internal hedges, or other structured arrangements whose main purpose is to alter the measurement of Gross Revenue, Market Related Costs or Assessed Revenue for the Relevant LDES Facility, rather than to meet a genuine market or risk management need.

c) Misstate or misreport any revenue, cost or volume item that is used to calculate Assessed Revenue, Gross Revenue, Market Related Costs, Non Controllable Operational Costs or any adjustment term under this licence.

17 The licensee must not design or execute trading or optimisation strategies whose main purpose is to influence whether Assessed Revenue reaches, exceeds or falls below the Cap Level or Floor Level, rather than to respond to market prices and system needs.

18 Where the Authority is satisfied, having regard to the licensee's overall trading strategy, contracting arrangements and reported revenues and costs for the Relevant LDES Facility in a Relevant Year or Relevant Assessment Period, that:

a) the aggregate level or timing of Gross Revenue, Market Related Costs or Assessed Revenue does not reasonably reflect the revenues that would have been achieved by a prudent and efficient operator acting in accordance with Good Industry Practice and seeking efficiently to manage External Revenue from the Relevant LDES Facility, assessed having regard to the same operational, technical and market constraints as apply to that facility; and

b) this outcome arises from the combined effect of trading decisions, contractual arrangements or transaction structures, whether or not any individual transaction, contract or bid complies with the express terms of this licence,

the Authority may, by determination:

(i) substitute all or part of the reported Gross Revenue, Market Related Costs or Assessed Revenue with notional values that reflect arm's length market outcomes for comparable assets operating without a cap and floor regime or transactions that the Authority reasonably considers comparable;

(ii) adjust the timing or allocation of such revenues or costs between Relevant Years so as to reflect when they would reasonably have been recognised by such an operator; and

(iii) make any consequential adjustments required under Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue) to ensure that the cap and floor regime operates on a net present value neutral basis.

Any determination under this paragraph must:

(1) be proportionate and limited to the extent necessary to address the identified distortion;

(2) specify the Relevant Year or Relevant Years to which any substituted or reallocated item is attributed, and require that the attribution is applied in accordance with Special Condition 1 (Definitions and Interpretation) (including the once only rule). Any resulting change to Assessed Revenue, CapOutcome or FloorSupport_t for any Relevant Year must be implemented as a restatement for that Relevant Year and settled only through Special Condition 6 (Adjustments to licensee revenue);

(3) assess performance by reference to a prudent and efficient operator operating within the same operational, technical and market constraints as the Relevant LDES Facility;

(4) be accompanied by reasons, including a description of the benchmark or comparator used to derive the notional values;

(5) be recorded in the FSPR; and

(6) be made on the basis of information which was available at the time the relevant decision was taken.

19 The Authority will not ordinarily exercise its powers under paragraph 18 where the licensee demonstrates, to the reasonable satisfaction of the Authority, that:

a) it has operated the Relevant LDES Facility in accordance with documented trading, dispatch, optimisation and governance policies and controls consistent with Good Industry Practice; and

b) its market participation and dispatch decisions fall within a reasonable range of performance having regard to:

(i) asset characteristics and constraints;

(ii) market conditions and available opportunities; and

(iii) relevant performance metrics or benchmarks specified in the RIGs.

20 The Authority will set out in the RIGs:

a) indicative performance metrics or benchmarking approaches; and

b) circumstances in which further investigation or intervention may be appropriate.

Part E Interpretation

21 In this Special Condition:

a) External Revenue means, for the purposes of this Special Condition only, revenue (including any value received in cash or in kind) attributable to the Relevant LDES Facility from participation in electricity markets and other market based arrangements, whether received by the licensee or by any Optimiser, Affiliate, Associate, Related Undertaking, or contractor on behalf of, or in relation to, the licensee.

b) External Revenue does not include any payment or receipt under Special Condition 6 (Adjustments to licensee revenue).

c) External Revenue must be determined net of VAT and other recoverable indirect taxes (unless the Authority directs otherwise (including in the RIGs)).

d) Price taking bids or offers means bids or offers that are submitted on a basis that does not seek to exercise market power or raise the clearing price above the level that would arise under competitive conditions, and that follow any pricing basis or limits set out in a direction under paragraph 7.

22 A determination under paragraph 18 may be made in addition to, or instead of, any action taken under Special Condition 21 (Structured Transactions) or the Excluded Costs provisions, where the Authority considers those tools are not sufficient.

23 Where the Authority makes a determination under paragraph 18, the notional values determined under that paragraph are to be treated as Gross Revenue, Market Related Costs and/or Assessed Revenue for the purposes of this licence. This applies notwithstanding Special Condition 1 (Definitions and Interpretation). It applies only for the purposes of calculation, determination, and settlement under Special Condition 4 (Assessed Revenue and Revenue Netting), Special Condition 5 (Cap and Floor Assessment) and Special Condition 6 (Adjustments to licensee revenue).

Special Condition 19 UK REMIT

Purpose

1 The purpose of this condition is to require the licensee to conduct all trading and optimisation activities for the Relevant LDES Facility in a way that is consistent with:

a) Good Industry Practice;

b) UK REMIT and any UK enforcement regulations or guidance issued by the Authority; and

c) all applicable market codes, rules and methodologies.

2 This condition also requires the licensee to maintain controls and governance that are proportionate to the scale and risk of its trading activities.

3 This condition applies in addition to:

a) the Assessed Revenue and Market Related Costs provisions in Special Condition 4 (Assessed Revenue and Revenue Netting);

b) any provisions on trading and avoidance, non arm's length transactions and Structured Transactions in this licence; and

c) the information and audit provisions in Special Condition 14 (Information, Reporting and Audit) and the Special Condition 20 (RIGs).

Structure

4 This condition is structured as follows:

a) Part A: Conduct standards.

Part A Conduct standards

5 The licensee must conduct trading/optimisation for the facility in compliance with UK REMIT, applicable Codes/market rules, and Good Industry Practice.

6 The licensee must maintain proportionate policies, controls, and records sufficient to demonstrate compliance and to manage conflicts of interest (including where an optimiser or Affiliate is involved), and must provide those records and a compliance attestation to the Authority on request (or as specified in RIGs).

7 The licensee must notify the Authority promptly of any material trading-conduct breach affecting (or likely to affect) Gross Revenue/Assessed Revenue.

8 The Authority may audit compliance with this condition and may direct proportionate remedial changes

Special Condition 20 RIGs

Purpose

1 This Special Condition sets out the scope, contents and common arrangements for the RIGs published by the Authority under this Special Condition.

2 The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information that the Authority needs to administer the Special Conditions of this licence and any relevant Standard Conditions.

Structure of this Special Condition

3 This Special Condition is structured as follows:

a) Part A sets out the licensee's obligations in relation to the RIGs.

b) Part B sets out what the RIGs may cover.

c) Part C sets out the process for issuing and amending the RIGs.

d) Part D sets out provisions in relation to new or more detailed information.

e) Part E sets out the obligations on the licensee in relation to complying with the RIGs.

f) Part F provides that the Authority may give derogations from the requirements of this Special Condition.

Part A Licensee's obligations under this Special Condition

4 Unless and so far as the Authority otherwise consents, the licensee must:

a) measure and record, or where the RIGs permit, estimate the Specified Information;

b) provide that Specified Information to the Authority for the periods and within the timeframes specified in the RIGs.

c) have in place and maintain systems, processes and procedures that are sufficient to carry out its obligations in paragraphs 4a) and 4b).

5 To support compliance with paragraph 4, the accounting records and other records kept by the licensee for Specified Information must:

a) Be arranged so that the Specified Information can be separately identified and reasonably attributed between the business of the Relevant LDES Facility and any other business of the licensee or any Associate.

b) Be maintained from the date that the records are made until the following:

(i) For records that relate to development, construction and commissioning, until six years after the Authority's Post Construction Review decision for the Relevant LDES Facility, or any later date set out in the RIGs for that class of record; and

(ii) For all other records, until six years after the Authority's Final Regime Adjustment determination under Special Condition 6 (Adjustments to licensee revenue), or any shorter period set out in the RIGs for that class of record.

6 The licensee must take all reasonable steps to check and validate that the Specified Information is complete and reliable and meets the standards set out in the RIGs.

7 On or before each submission date specified in the RIGs, the licensee must write to the Authority to confirm that, in its opinion, the Specified Information for the relevant period meets the standards set out in the RIGs.

Part B Scope and content of the RIGs

8 Subject to paragraph 9, the RIGs may include, or make provision for, any of the following matters:

a) Instructions and guidance on the systems, processes, procedures and ways that the licensee must use to record and provide Specified Information.

b) Instructions and guidance on the standards of accuracy and reliability that apply to Specified Information, including the ability to set different standards for different classes of information.

c) A timetable for the development or enhancement of systems, processes and procedures needed to meet those standards.

d) Instructions on when the licensee must, at its own expense, appoint an appropriate auditor and how it must comply with any agreed upon procedures specified in the RIGs.

e) The methodology for calculating or deriving numbers that form part of Specified Information.

f) Provision about the meaning of words and phrases used when defining Specified Information.

g) Requirements on the form and manner in which, and the frequency with which, Specified Information must be recorded.

h) Requirements on the form and manner in which, and the frequency with which, Specified Information must be provided to the Authority.

i) An explanation of why each category of Specified Information is required for the purposes of the RIGs and for the administration of this licence.

9 The RIGs must not require Specified Information that goes beyond the information that the Authority could request from the licensee under the provision of information condition in this licence.

Part C Process to issue and modify the RIGs

10 The Authority will issue and amend the RIGs by direction.

11 Before issuing new RIGs or amending the RIGs, the Authority will send to the licensee and publish on the Authority's website:

a) The text of the new or amended RIGs.

b) The date on which the Authority intends the new or amended RIGs to take effect.

c) The reasons for the new or amended RIGs.

d) The period during which representations may be made on the content of the new or amended RIGs, which must be at least 28 days.

12 The Authority will:

a) Publish the RIGs on the Authority's website.

b) Ensure that any amendments to the RIGs are promptly incorporated into a consolidated version maintained on the Authority's website.

Part D Requirements for new or more detailed information

13 This Part D applies where modified or new RIGs introduce a requirement to provide:

a) A new category of Specified Information.

b) An existing category of Specified Information at a greater level of detail.

14 This Part D only applies where the category of Specified Information under paragraph 13 has not previously been collected by the licensee, whether under the RIGs or otherwise.

15 Where this Part D applies, the licensee may provide estimates to the Authority for the relevant category of Specified Information for any Relevant Year specified by the Authority.

16 Estimates under paragraph 15 may be derived from any other information that is available to the licensee and is appropriate for that purpose.

Part E Compliance with the provisions of the RIGs

17 The licensee must at all times comply with the RIGs that are in force under this Special Condition.

18 Nothing in this Special Condition requires the licensee to provide any document or information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

Part F Derogations

19 The Authority may, after consulting the licensee, give a direction that relieves the licensee of its obligations under this Special Condition.

20 A direction under paragraph 19 may relieve the licensee of its obligations:

a) To the extent specified in the direction.

b) For the period of time specified in the direction.

c) Subject to any conditions specified in the direction.

21 Any derogation under this Part must be given in writing and may be varied or revoked by the Authority after consulting the licensee.

Special Condition 21 Structured Transactions

Purpose

1 The purpose of this Special Condition is to:

a) control the use of Structured Transactions for the Relevant LDES Facility;

b) prevent Structured Transactions from distorting Gross Revenue, Market Related Costs, Non Controllable Operational Costs or Assessed Revenue;

c) require transparency and reporting of Structured Transactions; and

d) allow the Authority to adjust the treatment of Structured Transactions for the purposes of this licence where necessary.

Structure

2 This Special Condition is structured as follows:

a) Part A sets out the general restriction on Structured Transactions.

b) Part B sets out the requirements for identification and the Structured Transactions Register.

c) Part C sets out the Authority's review and treatment powers.

Part A General restriction on Structured Transactions

3 The licensee must not, without the consent of the Authority, enter into a Structured Transaction where the transaction is reasonably capable of materially affecting:

a) whether Assessed Revenue falls below the Floor Level or exceeds the Cap Level in any Relevant Year; or

b) the timing or amount of any payments or receipts under Special Condition 6 (Adjustments to licensee revenue).

4 The licensee must ensure that any Structured Transaction entered into in relation to the Relevant LDES Facility:

a) has a clear commercial rationale that is consistent with Good Industry Practice; and

b) is not designed to and is not reasonably capable of undermining the effect of the cap and floor regime or the cost governance provisions of this licence.

5 Nothing in this Special Condition permits the licensee to depart from any requirement in this licence on Non Controllable Operational Costs, Market Related Costs, Excluded Costs, non-arm's length transactions or Procurement.

Part B Identification and Structured Transactions Register

6 The licensee must have internal processes to identify any contract, transaction or series of related transactions for the Relevant LDES Facility that meets the definition of a Structured Transaction.

7 The licensee must maintain a Structured Transactions Register for the Relevant LDES Facility. The register must record, for each Structured Transaction, those matters set out in Special Condition 20 (RIGs).

8 The licensee must keep the Structured Transactions Register up to date and must retain it and the supporting records for at least the period required for Specified Information under Special Condition 20 (RIGs).

9 The licensee must provide the Structured Transactions Register and supporting information to the Authority:

a) in the form and by the dates specified in the RIGs and

b) on any other reasonable request by the Authority.

10 The Authority may by direction specify:

a) reporting thresholds for Structured Transactions

b) additional fields or information to be recorded in the Structured Transactions Register and

c) classes of transaction that must always be treated as Structured Transactions.

Part C Authority review and treatment

11 The Authority may review any Structured Transaction for the purposes of:

a) assessing compliance with this Special Condition and with this licence;

b) assessing the impact on Gross Revenue, Market Related Costs, Non Controllable Operational Costs and Assessed Revenue.

12 Following a review under paragraph 11 the Authority may by direction:

a) direct that all or part of the revenues or costs arising from a Structured Transaction are to be treated as Excluded Costs in accordance with Special Condition 1 (Definitions and Interpretation) and the FSPR;

b) direct that, for the purposes of Special Condition 4 (Assessed Revenue and Revenue Netting) and Special Condition 6 (Adjustments to licensee revenue), the revenues or costs arising from a Structured Transaction are to be replaced in whole or in part by notional values and timing that reflect observable arm's length market terms for comparable standalone trades;

c) direct the licensee to change the accounting or allocation of a Structured Transaction so that Gross Revenue, Market Related Costs, Non Controllable Operational Costs and Assessed Revenue are not distorted;

d) prohibit the licensee from entering into further Structured Transactions of a specified type or with specified characteristics without the Authority's prior consent; and

e) require the licensee to amend its internal policies and procedures for identifying and recording Structured Transactions.

13 Any direction under paragraph 12 must be:

a) given in writing;

b) accompanied by reasons; and

c) recorded in the FSPR where it affects cost or revenue parameters used for the purposes of Special Condition 3 (Cap Level and Floor Level), Special Condition 4 (Assessed Revenue and Revenue Netting), Special Condition 5 (Cap and Floor Assessment), Special Condition 6 (Adjustments to licensee revenue) and Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment) or Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90).

14 Where the Authority considers that a Structured Transaction has been entered into in breach of this Special Condition, or has the effect of extracting value from the Relevant LDES Facility to the detriment of consumers, the Authority may treat the associated costs or lost value as Excluded Costs and may direct such further adjustments to the FSPR or to the LDES Cap and Floor Financial Model as it considers necessary.

Special Condition 22 Procurement

Purpose

1 The purpose of this Special Condition is to set out the requirements that the licensee must follow when procuring works, goods and services whose costs are, or are expected to be, taken into account for the purposes of this licence, including:

a) costs that feed into the Facility Cost Ceiling, PCR Cost Baseline, AdjustedCost or any Post Construction Adjustment under Special Condition 7 (Post Construction Adjustments) and Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90);

b) costs that are treated as Non Controllable Operational Costs under Special Condition 10 (Non Controllable Operational Costs); and

c) costs that are treated as Market Related Costs under Special Condition 4 (Assessed Revenue and Revenue Netting), to the extent they are subject to the procurement and cost governance requirements in the FSPR.

2 This Special Condition works together with the definition of Excluded Costs in Special Condition 1 (Definitions and Interpretation) and the cost governance provisions in the FSPR. Non-compliance with this Special Condition may result in costs being treated as Excluded Costs or otherwise disallowed for the purposes of this licence.

Structure

3 This Special Condition is structured as follows:

a) Part A sets out the general obligation on the licensee when procuring works, goods and services.

b) Part B sets out the procurement principles to be adhered to.

c) Part C sets out the requirements for evidence of compliance and the interaction with Excluded Costs.

d) Part D sets out derogation arrangements.

Part A General obligation

4 The licensee must ensure that all works, goods and services procured by or on behalf of the licensee in relation to the Relevant LDES Facility, where the associated costs are, or are expected to be, taken into account for the purposes described in paragraph 1, are procured on terms designed to achieve economic, efficient and effective outcomes.

5 This Special Condition applies both to new agreements and to modifications of existing agreements that result in additional works, goods or services being procured by or on behalf of the licensee.

Part B Procurement principles

6 Without limiting the generality of paragraph 4, unless the Authority otherwise consents, when procuring works, goods or services to which this Special Condition applies, the licensee must:

a) Follow procurement processes which:

(i) treat potential providers equally and without discrimination;

(ii) are transparent and proportionate;

(iii) where the total forecast value of the contract, or of any modification, exceeds the Applicable Procurement Threshold recorded for the Relevant LDES Facility in the FSPR, are designed to secure effective competition by ensuring that:

(1) the procurement process is open to all potential providers and does not artificially restrict or narrow competition, recognising that the licensee may apply reasonable and proportionate selection criteria based on objective factors, including legal, financial and technical capacity; and

(2) any contract award decision is made on the basis of clear, transparent and objective award criteria, linked to the subject matter of the contract, supported by a clear scoring methodology and made available in advance to potential providers; and

(iv) are consistent with Good Industry Practice for procuring the relevant works, goods or services.

b) Act in a transparent and proportionate manner in its procurement decisions and communications with potential providers.

c) Where the total forecast value of the contract, or of any modification, exceeds the Applicable Procurement Threshold, carry out a competitive tender process, or where this is not reasonably possible (for example because there is no effective competition for technical or legal reasons), apply appropriate and documented benchmarking or other value for money tests consistent with the FSPR.

d) Ensure that any contracts entered into as a result of the procurement process are:

(i) on an arm's length basis; and

(ii) on normal commercial terms.

e) For the purposes of calculating "total forecast value":

(i) aggregate all related contracts, lots, call offs, renewals, extensions and modifications that are for the same or related scope and are entered into within a period specified in the RIGs, or as directed by the Authority; and

(ii) take account of all fixed and variable consideration, expected incentive payments, options, extensions, indexation, pass-through and any minimum volume commitments, valued on a prudent basis and, where uncertainty exists, at the expected value or such other basis as directed by the Authority.

f) Treat material modifications as the issuance of a new contract, such material modification being material changes the scope, changes to the pricing structure, or changes to counterparty (or such other categories of modification as are specified in the RIGs).

Part C Evidence of compliance and interaction with Excluded Costs

7 The licensee must maintain, and on request provide to the Authority, evidence that its procurements complies with this Special Condition, including:

a) A documented procurement strategy for the Relevant LDES Facility that explains how the licensee will meet the requirements of paragraphs 4 to 6.

b) For each contract or material modification within scope of this Special Condition:

(i) a description of the works, goods or services procured;

(ii) the procurement route followed, including any competitive tender or benchmarking carried out;

(iii) the evaluation and award criteria applied and how the successful tender or proposal was selected; and

(iv) copies of key procurement documents, including requests for proposals, bids, evaluation records and contracts.

8 The licensee must provide such information and evidence under paragraph 7:

a) in the form and by the dates specified in the RIGs issued under Special Condition 20 (RIGs); and

b) on any other reasonable request by the Authority for the purposes of applying this licence.

9 When assessing whether costs are economic, efficient and effective, and whether any item is an Excluded Cost for the purposes of this licence, the Authority may have regard to the licensee's compliance with this Special Condition and with any procurement and cost governance requirements in the FSPR.

10 Where, in the Authority's opinion, the licensee has not complied with this Special Condition in respect of a contract or modification, the Authority may by direction to the extent it considers appropriate:

a) treat all or part of the associated costs as Excluded Costs in accordance with Special Condition 1 (Definitions and Interpretation); or

b) limit the amount of those costs that may be taken into account for the purposes of determining AdjustedCost, PCR Cost Baseline, Post Construction Adjustments, Opex Reassessment Adjustments, Non Controllable Operational Costs or Market Related Costs, as applicable.

11 Any treatment under paragraph 10 must be set out in the Authority's direction and recorded in the FSPR.

Part D Derogations

12 The Authority may, by direction, grant a derogation from any requirement of this Special Condition 22 (Procurement) where it considers this appropriate having regard to proportionality and the interests of consumers. Any such derogation may be subject to conditions (such conditions will take effect as though they were conditions under this licence), must be given in writing, and must be recorded in the FSPR.

Special Condition 23 Decommissioning

Purpose

1 The purpose of this Special Condition is to set out the licensee's obligations in relation to:

a) the preparation and maintenance of a Decommissioning Plan for the Relevant LDES Facility;

b) the establishment and governance of a Decommissioning Fund for the portion of decommissioning costs that is allowed under this licence;

c) adjustments to the allowed share of decommissioning costs where there is a Decommissioning Change in Law; and

d) the reporting and assurance arrangements that apply to the Decommissioning Plan, the Decommissioning Fund and any Decommissioning Change in Law.

2 This Special Condition does not change:

a) the treatment of decommissioning costs under Special Condition 3 (Cap Level and Floor Level), Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and Special Condition 10 (Non Controllable Operational Costs) and the FSPR; or

b) the general treatment of change in law under the Special Condition 10 that governs Non Controllable Operational Costs and any Income Adjusting Event under that Special Condition.

Structure

3 This Special Condition is structured as follows:

a) Part A: Decommissioning Plan.

b) Part B: Decommissioning Fund and Financial Safeguards.

c) Part C: Decommissioning Change in Law adjustments.

d) Part D: Interaction with other Special Conditions and reporting.

Part A Decommissioning Plan

4 The licensee must prepare and maintain a Decommissioning Plan for the Relevant LDES Facility.

5 The Decommissioning Plan must, as a minimum:

a) describe the activities that the licensee expects to carry out to decommission the Relevant LDES Facility and to make the site safe and compliant with applicable law and any applicable decommissioning guidance at the end of the asset life;

b) set out the timing and phasing of those activities;

c) set out the licensee's best estimate of the costs of those activities in the Base Year prices used in the LDES Cap and Floor Financial Model;

d) identify any expected operation of the Relevant LDES Facility after the Regime Duration and any expected revenues in that period;

e) explain how the total expected decommissioning costs have been allocated between the Regime Duration and any Post Regime Duration period; and

f) set out a Decommissioning Fund Profile, by Relevant Year, of the contributions to the Decommissioning Fund that the licensee considers are needed during the Regime Duration to meet the allowed share of decommissioning costs, taking into account any expected investment returns on the Decommissioning Fund (and any asset life beyond the Regime Duration).

6 The licensee must submit: (a) an updated Decommissioning Plan to support the Authority's determination at Post Construction Review; and (b) thereafter, an updated Decommissioning Plan at least once every five years from the Regime Start Date, or at such other times as the Authority directs.

7 In preparing and updating the Decommissioning Plan the licensee must have regard to:

a) applicable legal and regulatory requirements for decommissioning of the Relevant LDES Facility and the site;

b) Good Industry Practice for planning and costing decommissioning;

c) any comments made by the Authority; and

d) any guidance issued in relation to decommissioning under the LDES cap and floor regime.

8 Nothing in this Special Condition requires physical decommissioning of the Relevant LDES Facility to take place within the Regime Duration. The obligations under this Special Condition relate to planning, funding and reporting for decommissioning.

Part B Decommissioning Fund and Financial Safeguards

9 The licensee must establish and maintain a ring-fenced arrangement (the Decommissioning Fund) for the Relevant LDES Facility, holding assets dedicated to meeting the share of decommissioning costs attributed to the Regime Duration and recorded in the FSPR.

10 The licensee must not:

a) use any asset of the Decommissioning Fund as security for any Indebtedness;

b) apply any asset of the Decommissioning Fund for any purpose other than meeting decommissioning costs that the Authority has determined to be economic, efficient and effective and within the share of decommissioning costs attributed to the Regime Duration and recorded in the FSPR; or

c) treat any payment from the Decommissioning Fund as, or use it for, a Distribution.

11 The contribution profile set out in the Decommissioning Plan under paragraph 5f) must be approved by or directed by the Authority and recorded in the FSPR as the Decommissioning Fund Profile for the Relevant LDES Facility.

12 The licensee must make contributions to the Decommissioning Fund in each Relevant Year during the Regime Duration that are at least equal, in present value terms and on reasonable assumptions about investment returns, to the contributions required by the Decommissioning Fund Profile for that year, unless the Authority directs otherwise and records the change in the FSPR. Present value

is measured as at the first day of the Relevant Year using the discount rate and return assumption recorded in the FSPR, or as otherwise directed by the Authority. Return assumptions must be prudent and must not increase expected consumer support.

13 Where the Authority considers the Decommissioning Fund is materially below the level required by the Decommissioning Fund Profile, it may direct the licensee to submit a remedial plan and provide additional reporting or assurance. Any restriction on Distributions in relation to a funding shortfall applies only where the Authority so directs in writing.

14 If the Decommissioning Fund exceeds the level required to meet the share of decommissioning costs attributed to the Regime Duration and recorded in the FSPR, the Authority may direct the treatment of the surplus, including repayment to the ESO or a reduction in future allowed amounts, and must record that treatment in the FSPR.

15 The licensee must not wind up, transfer, or otherwise alter the Decommissioning Fund arrangements in a way that would prejudice the use of the fund for decommissioning costs, except with the Authority's prior written consent.

16 Withdrawals from the Decommissioning Fund may be made only for Approved Decommissioning Costs and in accordance with the evidence and process requirements specified in the RIGs.

Part C Decommissioning Change in Law adjustments

17 This Part C applies where there is a Decommissioning Change in Law during the Regime Duration and that materially increases or decreases the economic, efficient and effective cost of complying with decommissioning obligations for the Relevant LDES Facility, relative to the assumptions used at Post Construction Review for the purposes of AdjustedCost and any related parameters.

18 Where the licensee considers that a Decommissioning Change in Law has occurred, it must notify the Authority as soon as reasonably practicable. The notice must:

a) identify the relevant legislative or regulatory change and explain why it changes the licensee's decommissioning obligations;

b) explain why the change was not reasonably foreseeable at the Effective Licence Date;

c) quantify, on a best estimate basis, the incremental costs or savings for the allowed share of decommissioning costs allocated to the Regime Duration;

d) set out the proposed Decommissioning Cost Adjustment at Cap (DCC_t) and at Floor (DCF_t), including the proposed period over which those adjustments would apply; and

e) include supporting information, including any benchmarking or independent advice on the impact of the change.

19 In assessing a notice under paragraph 18 the Authority may have regard to:

a) whether the change meets the definition of a Decommissioning Change in Law;

b) whether the incremental costs or savings are directly attributable to, and arise as a consequence of, the Decommissioning Change in Law;

c) whether the incremental costs or savings have been estimated on an economic, efficient and effective basis; and

d) the allocation of decommissioning costs between the Regime Duration and any Post Regime Duration period.

20 Where the Authority is satisfied that a Decommissioning Change in Law has occurred and that an adjustment is appropriate, the Authority may by direction determine:

a) the value and time profile of DCC_t and DCF_t, being the Decommissioning Cost Adjustment at Cap and at Floor respectively for the Relevant Years to which the adjustment applies; and

b) the method by which DCC_t and DCF_t are to be taken into account in the Cap Level and Floor Level calculations under Special Condition 3 (Cap Level and Floor Level) and in the LDES Cap and Floor Financial Model, including by recording the values and method in the FSPR.

21 Unless and until the Authority has issued a direction under paragraph 20, DCC_t and DCF_t have value zero.

22 A Decommissioning Change in Law may be treated by the Authority as an Income Adjusting Event under the Special Condition 10 that governs Non Controllable Operational Costs and Income Adjusting Events, but the quantum of any adjustment in respect of decommissioning costs must be determined under this Part C and applied through DCC_t and DCF_t.

Part D Interaction with other Special Conditions and reporting

23 Decommissioning cost estimates and the share of those costs that are attributed to the Regime Duration are treated in accordance with Special Condition 3 (Cap Level and Floor Level), Special Condition 4 (Assessed Revenue and Revenue Netting), Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and the FSPR and are recorded in the FSPR for use in AdjustedCost and other relevant parameters.

24 Contributions to the Decommissioning Fund that correspond to the allowed share of decommissioning costs for the Regime Duration are treated for the purposes of this licence in accordance with those Special Conditions and the FSPR. They are not Market Related Costs.

25 For the avoidance of doubt:

a) the definition of Excluded Costs in Special Condition 1 (Definitions and Interpretation) applies to decommissioning costs and to any contributions to, or withdrawals from, the Decommissioning Fund; and

b) paragraphs 17 to 22 of this Special Condition apply only to Decommissioning Change in Law and do not reopen the treatment of decommissioning costs for other reasons, including cost overruns or changes in market conditions.

26 The licensee must report, in its Annual Cap and Floor RIGs Submission, in the form and by the date specified in the RIGs:

a) the latest Decommissioning Plan or a summary of any changes to the Plan since the last submission;

b) the opening and closing value of the Decommissioning Fund for the Relevant Year;

c) contributions to the Decommissioning Fund in the Relevant Year;

d) income and investment returns credited to the Decommissioning Fund in the Relevant Year;

e) any withdrawals from the Decommissioning Fund and the purpose of those withdrawals;

f) any shortfall or surplus relative to any target funding path determined under paragraph 11; and

g) any Decommissioning Change in Law notice given under paragraph 18 and any direction made under paragraph 20.

27 The Authority may require the licensee to obtain independent assurance on the Decommissioning Fund, on the Decommissioning Plan, and on any Decommissioning Change in Law notice or adjustment. Any such requirement may be set out in Regulatory Instructions and Guidance or in a direction under this licence.

28 No cost or saving may be included in NCC_t or IAT_t to the extent it is reflected through DCC_t or DCF_t, or through any model based decommissioning adjustment under this Special Condition.

Special Condition 24 Status of FSPR

Introduction

1 The purpose of this condition is to set out the status of the FSPR and the process by which it may be amended under this licence.

Structure

2 This condition is structured as follows:

a) Part A: Status of the FSPR;

b) Part B: References to the FSPR; and

c) Part C: Amendment of the FSPR.

Part A Status of the FSPR

3 The FSPR does not form part of this licence.

4 The FSPR records project-specific parameters, values, designations and determinations made by the Authority under this licence for the purposes of administering the cap and floor regime.

Part B References to the FSPR

5 Any reference in this licence to the FSPR, or to any parameter, value or designation recorded in it, is a reference to the FSPR as amended from time to time in accordance with this licence.

6 No parameter, value or designation has effect for the purposes of this licence unless and until it is recorded in the FSPR.

Part C Amendment of the FSPR

7 The FSPR may be amended only by direction of the Authority.

8 Where a Special Condition or Schedule expressly provides for a parameter, value or designation to be set, revised or updated in the FSPR, the Authority may amend the FSPR by direction, and any such amendment takes effect upon written notice to the licensee.

9 Where an amendment to the FSPR is not expressly provided for by a Special Condition or Schedule, the Authority may nevertheless amend the FSPR by direction, provided that it first:

a) publishes a draft of the proposed amendment;

b) consults the licensee and such other persons as the Authority considers appropriate; and

c) considers any representations made within a period of not less than 28 days.

10 Any amendment made under paragraph 9 must be accompanied by reasons and must be proportionate and consistent with the purposes of this licence.

11 For the avoidance of doubt, an amendment to the FSPR under this condition does not constitute, and must not be treated as, a modification of this licence.

12 An amendment to the FSPR by direction under this condition does not prevent the Authority from subsequently amending the same or a related parameter by further direction in accordance with this licence.

Special Condition 25 Delivery Plan

Purpose

1 The purpose of this Special Condition is to:

a) require the licensee to prepare, obtain approval of, maintain and comply with a Delivery Plan for the Relevant LDES Facility; and

b) enable the Authority to monitor and assess the licensee's progress towards delivery of the Relevant LDES Facility, and to determine and record relevant project-specific parameters in the FSPR.

Structure

2 This Special Condition is structured as follows:

a) Part A: Delivery Plan

b) Part B: Reporting and updates

c) Part C: Authority assessment; and

d) Part D: Recording of Delivery Plan Parameters in the FSPR

Part A Delivery Plan

3 The licensee must submit a Delivery Plan to the Authority no later than 120 Working Days following the Cap and Floor Award Decision, obtain the Authority's approval, and comply with the Delivery Plan as approved.

4 The Authority will endeavour to notify the licensee of its determination within 90 Working Days of receipt of the Delivery Plan.

5 The Authority's approval (which may be given subject to conditions) must be given by notice to the licensee, and the Delivery Plan shall take effect on the date specified in that notice or, where no date is specified, on the date of the notice.

6 Where the Authority does not approve the Delivery Plan, it must notify the licensee of its reasons, and the licensee must submit a revised Delivery Plan within 60 Working Days of that notice or such later date as the Authority may specify.

Part B Reporting and updates

7 The licensee must keep the Delivery Plan under review, and promptly submit to the Authority for approval any proposed revision to the Delivery Plan where there is, or is likely to be, a material change in the matters set out in that plan.

8 The licensee must provide to the Authority such information as the Authority may require to monitor and assess its progress against the Delivery Plan, including information specified in the RIGs and any additional information the Authority may reasonably require, relating to progress, risks, and any material delivery constraints and how these are being managed.

9 The licensee must notify the Authority as soon as reasonably practicable of any actual or anticipated material deviation from the Delivery Plan, and the reasons for, and expected impact of that deviation.

Part C Authority assessment

10 Where the Authority determines, on the basis of the available evidence, that:

a) a material deviation from the Delivery Plan has occurred, or is likely to occur; and

b) that deviation is not reasonably justified,

the Authority may conclude that the licensee is not making sufficient progress towards delivery of the Relevant LDES Facility.

11 Where the Authority makes a determination under paragraph 10, it may require the licensee to submit, within such period as the Authority may specify, a recovery plan setting out:

a) the causes of the material deviation from the Delivery Plan;

b) the actions the licensee has taken, and proposes to take, to address that deviation;

c) the timetable for those actions, including any proposed revised milestones;

d) the risks to delivery of the Relevant LDES Facility and the measures proposed to mitigate those risks; and

e) such further information and evidence as the Authority may reasonably require.

12 The licensee must comply with any requirement under paragraph 11 and provide such further information, evidence and updates in relation to the recovery plan as the Authority may reasonably require.

Part D Recording of Delivery Plan parameters in the FSPR

13 Following approval of a Delivery Plan under paragraph 3, the Authority may determine which milestones, parameters or other elements of that Delivery Plan are to be treated as project-specific parameters for the purposes of this licence.

14 The Authority may record any milestone, parameter or element determined under paragraph 13 in the FSPR in accordance with Special Condition 24(Status of FSPR).

15 Where a milestone, parameter or element is recorded in the FSPR under paragraph 14:

a) it shall have effect for the purposes of this licence from the effective date specified in the FSPR; and

b) the licensee must comply with that milestone, parameter or element as recorded in the FSPR.

16 The Authority may, following any revision to the Delivery Plan or otherwise, amend or remove any milestone, parameter or element recorded in the FSPR under this Part by direction in accordance with Special Condition 24 (Status of FSPR).

17 In deciding whether to record any milestone, parameter or element in the FSPR under this Part, the Authority shall have regard to the need to ensure that the FSPR contains sufficient project-specific parameters to enable effective monitoring and enforcement of delivery.

Special Condition 26 Obligation to achieve the Full Commissioning Date

Purpose

1 The purpose of this Special Condition is to set out the licensee's obligations to achieve Full Commissioning Date and the consequences where Full Commissioning Date is not achieved by the Longstop Date.

Structure

2 This Special Condition is structured as follows:

a) Part A: Obligation to achieve Full Commissioning Date

b) Part B: Provision of quarterly updates

c) Part C: Notification of likely failure to achieve Full Commissioning Date by the Target Delivery Date

d) Part D: Notification of failure to achieve Full Commissioning Date by the Target Delivery Date

e) Part E: Achievement of the Full Commissioning Date

f) Part F: Revocation of the Special Conditions following a Construction Longstop Event

Part A Obligation to achieve Full Commissioning Date

3 The licensee must finance and carry out all activities required to achieve Full Commissioning Date for the Relevant LDES Facility.

4 In doing so, the licensee must use best endeavours to achieve Full Commissioning Date by the Target Delivery Date.

5 The licensee must plan, manage and execute the works and activities in accordance with Good Industry Practice.

Part B Provision of quarterly updates

6 The licensee must provide quarterly updates to the Authority in the form approved by the Authority setting out the licensee's progress towards Full Commissioning Date, including:

a) progress against the project programme and the critical path; and

b) details of forecast spend against the construction budget, including up to date details of all funding sources and any material changes to financing arrangements.

7 The first quarterly update must be provided no later than ten Working Days following the first quarter end to occur after the Effective Licence Date.

8 Each subsequent quarterly update must be provided no later than ten Working Days following the end of each subsequent quarter.

Part C Notification of likely failure to achieve Full Commissioning Date by the Target Delivery Date

9 The licensee must notify the Authority as soon as reasonably practicable after becoming aware that it is reasonably likely to fail to achieve Full Commissioning Date by the Target Delivery Date (a "**Delay Notice**").

10 A Delay Notice under paragraph 9 must give particulars of:

a) the event or circumstances leading to the likely failure;

b) the reasons behind those events or circumstances;

c) the actions that the licensee has implemented, and will implement, to avoid that failure;

d) the forecast impact of the likely failure, including:

(i) the length of delay to Full Commissioning Date and how that delay has been calculated;

(ii) the impact on any third parties, including network companies, contractors, suppliers and any other parties relevant to delivery; and

(iii) the impact on the licensee's financing arrangements; and

e) the actions that the licensee proposes to implement to mitigate the impact of the likely failure and any resulting delay.

Part D Notification of failure to achieve Full Commissioning Date by the Target Delivery Date

11 The licensee must promptly notify the Authority where the licensee fails to achieve Full Commissioning Date by the Target Delivery Date (a "**Delay Notice**").

12 A Delay Notice under paragraph 11 must give particulars of:

a) the event or circumstances leading to the failure;

b) the reasons behind those events or circumstances;

c) the actions that the licensee implemented to attempt to avoid the failure;

d) the forecast impact of the failure, including:

(i) the length of any delay to Full Commissioning Date and how that delay has been calculated;

(ii) the impact on any third parties, including network companies, contractors, suppliers and any other parties relevant to delivery; and

(iii) the impact on the licensee's financing arrangements; and

e) the actions that the licensee proposes to implement to mitigate the impact of the failure and any resulting delay.

Part E Achievement of Full Commissioning Date

13 The licensee must notify the Authority as soon as reasonably practicable after the licensee considers that the Full Commissioning Requirements have been satisfied (a "**Full Commissioning Notice**").

14 A Full Commissioning Notice must be in the form approved by the Authority and must include particulars and supporting evidence demonstrating that the Full Commissioning Requirements have been satisfied, including (without limitation):

a) the licensee's proposed date on which the Full Commissioning Requirements were satisfied;

b) a copy of a valid Performance Test Notice and the corresponding Performance Test Assessment Response Notice confirming that the Commissioning Tests have been complied with and passed under Schedule B (Performance Test Protocol);

c) copies of commissioning certificates, completion certificates and sign-off documentation issued by contractors and/or the Independent Engineer (if any);

d) confirmation that the Relevant LDES Facility is capable of operating in accordance with the Full Commissioning Requirements (including any relevant interface, metering, control, communications and safety requirements); and

e) a declaration signed by a director (or other authorised signatory) of the licensee confirming that, to the best of the licensee's knowledge and belief, the information provided is complete and accurate.

15 The Authority may, request such further information, clarification, demonstrations and/or access (including site access) as it reasonably requires in order to determine whether it is satisfied that the Full Commissioning Requirements have been satisfied, and the licensee must comply with any such request as soon as reasonably practicable.

16 Following receipt of a Full Commissioning Notice (and any further information requested under paragraph 15), the Authority may, as soon as reasonably practicable, either:

a) give notice in writing specifying the Full Commissioning Date; or

b) give notice in writing that the Authority is not satisfied that the Full Commissioning Requirements have been satisfied, including (to the extent reasonably practicable) details of the matters giving rise to the Authority's concerns and any further information, evidence and/or actions that the Authority considers are required in order for the Full Commissioning Requirements to be satisfied.

17 Where the Authority gives a notice under paragraph 16a), the Full Commissioning Date will be the date specified in that notice (which may be a date earlier than the date of the Authority's notice).

18 For the avoidance of doubt:

a) the Full Commissioning Date does not occur unless and until the Authority has given a notice under paragraph 16a); and

b) the obligations in Part B, Part C and Part D continue to apply until the Full Commissioning Date has occurred.

19 Where the Authority gives a notice under paragraph 16b), the licensee must, at its own cost, as soon as reasonably practicable take such steps as are necessary to remedy the matters identified by the Authority and to achieve satisfaction of the Full Commissioning Requirements.

20 Without prejudice to paragraph 19, the licensee must provide to the Authority, within ten Working Days (or such other period as the Authority may specify in its notice under paragraph 16b), a written plan setting out:

a) the remedial actions the licensee will take;

b) the programme and timetable for those remedial actions (including key milestones);

c) any further testing, commissioning activities or evidence that will be produced; and

d) any reasonably foreseeable impacts on the Target Delivery Date and/or the forecast Full Commissioning Date.

21 The licensee must implement the plan provided under paragraph 20 and must promptly provide to the Authority such information and evidence as the Authority may reasonably require to demonstrate that the matters identified under paragraph 16b) have been remedied.

22 As soon as reasonably practicable after completing the remedial actions and obtaining the required evidence, the licensee must submit a further Full Commissioning Notice in accordance with paragraphs 13 to 15, and paragraphs 16 to 18 apply to that further Full Commissioning Notice.

Part F Revocation of the Special Conditions

23 For the purposes of this Part, a Revocation Trigger means either of the following events:

a) the Full Commissioning Date has not been achieved by the Longstop Date recorded for the Relevant LDES Facility in the FSPR; or

b) the Authority has determined, in accordance with Special Condition 25 (Delivery Plan), that the licensee is not making sufficient progress towards delivery of the Relevant LDES Facility having regard to the Delivery Plan and the information and evidence available to it;

c) before the Full Commissioning Date, the Authority determines that the Relevant LDES Facility has been abandoned, materially changed, or is no longer capable of being delivered in a manner materially consistent with the basis on which the cap and floor regime was awarded.

24 Where a Revocation Trigger has occurred and is continuing, the Authority may revoke these Special Conditions (in whole or in part) by issuing a notice (**a "Revocation Notice**"), where it considers revocation is necessary and proportionate in the interests of consumers.

25 Revocation under this Part does not of itself revoke the licensee's Electricity Generation Licence.

26 Before issuing a Revocation Notice, the Authority must:

a) notify the licensee of:

(i) the relevant Revocation Trigger;

(ii) that it is minded to revoke these Special Conditions;

b) give the licensee a reasonable opportunity to make written representations; and

c) consider any representations made by the licensee.

27 The Authority may consult more widely where it considers that the proposed revocation has material implications for consumers or for the operation of the cap and floor regime.

28 A Revocation Notice must:

a) specify the date on which revocation is to take effect, which must be at least thirty days after the date of the Revocation Notice unless the licensee agrees to a shorter period; and

b) set out the Authority's reasons for revocation.

29 Where revocation takes effect under this Part, these Special Conditions cease to have effect from the revocation date, save for any provisions that are required for reconciliation, reporting, audit, record retention, repayment priority and settlement as provided in this licence.

30 Revocation under this Part does not affect:

a) any rights or obligations accrued under these Special Conditions up to the revocation date; or

b) the Authority's ability to carry out any determination or reconciliation that is necessary to give effect to those accrued rights and obligations.

31 Where revocation occurs under this Part, the Authority will determine:

a) any end of period settlement amount for the last Relevant Assessment Period that falls wholly or partly before the revocation date; and

b) any Final Regime Adjustment that is required to ensure that the regime is net present value neutral up to the revocation date, in each case applying the Discount Factors and discounting framework in Special Condition 5 (Cap and Floor Assessment) and the settlement framework in Special Condition 6 (Adjustments to licensee revenue) as if the Regime Duration ended on the revocation date. For the purposes of this paragraph, the final Relevant Assessment Period ends on the revocation date and the final Relevant Year is a Partial Year; the cap and floor calculations apply only up to the revocation date using the existing Partial Year and FloorAR rules.

32 Any settlement amounts arising from paragraph 31 must be effected under Special Condition 6 (Adjustments to licensee revenue).

33 Where the Authority considers that an event leading to revocation has caused costs or losses that would otherwise have been taken into account under this licence, the Authority may treat those costs or losses as Excluded Costs in accordance with Special Condition 1 (Definitions and Interpretation) and the FSPR.

34 Nothing in this Part limits the Authority's powers under any other provision of this licence or under the Electricity Act 1989.

35 Obligations needed for reconciliation, reporting, audit, record retention, repayment priority and settlement continue until the Authority confirms completion in writing.

Special Condition 27 Disposals

Purpose

1 The purpose of this Special Condition is to:

a) restrict Disposals of the Relevant LDES Assets and other assets used for the purposes of this licence;

b) restrict the granting of security over the Relevant LDES Assets and over Receivables;

c) restrict cross-default and other arrangements that may compromise the financial resilience of the Regulated Business; and

d) to safeguard the continued operation of the Regulated Business for the Regime Duration and to support the effective operation of the cap and floor regime.

2 This Special Condition works together with:

a) the definition of Excluded Costs in Special Condition 1 (Definitions and Interpretation);

b) the cost governance provisions in the FSPR;

c) the financial resilience requirements in Special Condition 17 (Financial Resilience); and

d) the cap and floor cost determination provisions in Special Condition 3 (Cap Level and Floor Level), Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90) and Special Condition 10 (Non Controllable Operational Costs).

Structure of this Special Condition

3 This Special Condition is structured as follows:

a) Part A sets out the general restriction on Disposals of Relevant LDES Assets and the exceptions to that restriction.

b) Part B sets out the general restriction on granting security over Relevant LDES Assets and Receivables, and the exceptions to that restriction.

c) Part C sets out restrictions on cross-default and group-related financing risks.

d) Part D sets out the procedure for obtaining the Authority's consent.

e) Part E sets out specific requirements that apply to Related Undertaking Disposals.

f) Part F sets out how any proceeds of a Disposal must be treated for the purposes of this licence.

Part A Disposals of Relevant LDES Assets

4 The licensee must not Dispose of, or Relinquish Operational Control over, any Relevant LDES Asset except in accordance with this Special Condition.

5 Notwithstanding any other provision of this licence, the licensee must ensure that any Disposal of, or Relinquishment of Operational Control over, any Relevant LDES Asset is always subject to the licensee complying with all applicable Legal Requirements.

6 Subject to Part D and Part E, the obligation in paragraph 4 does not apply in the following circumstances:

a) The licensee has notified the Authority of the proposed Disposal or Relinquishment of Operational Control in accordance with paragraph 15, the Authority has consented, and the licensee has:

(i) complied with such conditions as the Authority may attach to its consent; and

(ii) if applicable, procured that any other party to the transaction complies with such conditions.

b) The Authority has consented (whether or not subject to conditions) to the Disposal of, or Relinquishment of Operational Control over, Relevant LDES Assets of a specified description, and the Disposal or Relinquishment is of that specified description and in accordance with any conditions to which the consent is subject,

provided that, in respect of paragraph 6b), the licensee must notify the Authority in accordance with paragraph 15.

Part B Security over Relevant LDES Assets and Receivables

7 Subject to any Special Condition that governs Indebtedness and to paragraph 10, the licensee must not create or permit to subsist any mortgage, charge, lien or other form of security over:

a) any Relevant LDES Asset; or

b) any Receivable or class of Receivables arising under or for the purposes of this licence, including any rights to:

(i) Assessed Revenue;

(ii) payments or receipts under Special Condition 6 (Adjustments to licensee revenue); or

(iii) any other settlement amounts arising from the application of the cap and floor regime,

except in accordance with this Special Condition.

8 Any grant of security referred to in paragraph 7 is always subject to the licensee complying with applicable Legal Requirements.

9 In respect of any mortgage, charge, lien or other form of security over any Relevant LDES Asset or Receivable that is in effect at the Effective Licence Date, the licensee is permitted to:

a) maintain such security in effect; and

b) vary the terms of such security, provided that such variation does not have the effect of extending the scope of such security beyond the Relevant LDES Assets or Receivables to which it applied immediately prior to the variation.

10 The licensee may create or permit to subsist security of the kind referred to in paragraph 7 only where:

a) the licensee has notified the Authority of the intention to create such security in accordance with paragraph 15, the Authority has consented, and the licensee has:

(i) complied with such conditions as the Authority may attach to its consent; and

(ii) if applicable, procured that any other party to the transaction complies with such conditions; or

b) the security forms part of a refinancing or rollover of existing Indebtedness in accordance with Special Condition 17 (Financial Resilience), and:

(i) the existing Indebtedness and the new Indebtedness are each incurred for the purposes of financing the Regulated Business;

(ii) the scope of security over Relevant LDES Assets and Receivables is not materially extended; and

(iii) the licensee has notified the Authority prior to or, if and to the extent that prior notification is not practicable, as soon as reasonably practicable after the transaction.

11 For the purposes of paragraph 10b), what constitutes "existing Indebtedness" and "new Indebtedness" in any particular case is a question of fact.

Part C Cross-default and group-related financing risk

12 The licensee must not, without the prior written consent of the Authority, enter into any agreement or arrangement under which an event of default or termination event in relation to the licensee is triggered:

a) by reason of an event relating to the financial position or performance of any Affiliate, Related Undertaking or Associate of the licensee; or

b) solely by reason of an insolvency, restructuring, administration or similar process affecting any Affiliate, Related Undertaking or Associate of the licensee,

unless the licensee can demonstrate to the Authority's satisfaction that such provision is reasonable, necessary for the financing of the Regulated Business, and does not materially increase the risk that the licensee will be unable to comply with this licence.

13 The licensee must not give any guarantee, indemnity or other assurance of a kind that would have the effect of exposing the Regulated Business, its assets or its Receivables to enforcement action arising from the obligations of any Affiliate, Related Undertaking or Associate, except with the prior written consent of the Authority.

14 Where the Authority considers that any agreement or arrangement entered into in breach of paragraphs 12 or 13 has resulted in costs or liabilities that would otherwise be taken into account for the purposes of this licence, the Authority may treat those costs or liabilities as Excluded Costs in accordance with Special Condition 1 (Definitions and Interpretation) and the FSPR.

Part D Authority's consent

15 If the licensee intends to:

a) Dispose of, or Relinquish Operational Control over, any Relevant LDES Asset in reliance on paragraph 6a); or

b) create or permit to subsist any security of the kind referred to in paragraph 7 in reliance on paragraph 10a),

the licensee must give the Authority not less than three months' prior written notice of its intention, together with such Supporting Information as the Authority may reasonably require in relation to the asset, Receivable or transaction.

16 The Authority may, by notice to the licensee, extend the notice period in paragraph 15 where it considers that additional time is reasonably required to assess the proposed transaction.

17 Where a notice under paragraph 15 relates to a Material Disposal, the licensee must, at the same time as providing that notice, submit a report addressed to the Authority from an Independent Valuer that provides an independent valuation of the Relevant LDES Asset, the proposed consideration, and the justification for such valuation.

18 Following consideration of the licensee's submission under paragraph 17, the Authority will:

a) provide its consent to the notified transaction;

b) withhold its consent to the notified transaction; or

c) require further Supporting Information from the licensee.

19 Any consent given under this Special Condition may be given subject to conditions, including conditions relating to:

a) continuity of operation of the Regulated Business;

b) assumption of obligations under this licence by a proposed transferee;

c) treatment of proceeds in the Cap and Floor Financial Model; and

d) any necessary amendments to the FSPR.

Part E Related Undertaking Disposals

20 Notwithstanding any other provision of this licence, the licensee may only make, or enter into an agreement to make, a Related Undertaking Disposal of a Relevant LDES Asset:

a) with the prior written consent of the Authority; and

b) in accordance with this Part E.

21 Where the licensee proposes to make a Related Undertaking Disposal, it must provide to the Authority, with its notice under paragraph 15, an independent valuation from an Independent Valuer confirming that:

a) the consideration payable to the licensee is no less than the Open Market Value of the asset (where "Open Market Value" means the price obtainable for the asset in an arm's length transaction between a willing buyer and willing seller after proper marketing, as

determined by an Independent Valuer using a method consistent with the RIGs or as directed by the Authority); and

b) the consideration reflects the best price that could reasonably be obtained in an equivalent transaction with a third party that is not a Related Undertaking, having regard to prevailing market conditions.

22 The licensee must ensure that any Related Undertaking Disposal is on commercial terms and consistent with the valuation provided under paragraph 21, unless the Authority agrees otherwise.

23 Where the actual consideration differs materially from the valuation under paragraph 21, the licensee must provide evidence to justify the reasonableness of the difference and must retain that evidence for at least seven years in a form that enables it to provide the evidence promptly to the Authority on request.

24 Where the Authority determines that a Related Undertaking Disposal is not on commercial terms or is not supported by adequate valuation evidence, the Authority may determine the Open Market Value of the Relevant LDES Asset and the foregone value, being the difference between that Open Market Value and the consideration received (net of reasonable transaction costs). The Authority may treat all or part of that foregone value, and any associated cost or loss arising from the transaction, as an Excluded Cost (or count it towards Assessed Revenue). The Authority may direct that, for the purposes of this licence, the Disposal is treated as if made for consideration equal to Open Market Value and may direct corresponding adjustments to the FSPR and to any cost inputs used for the purposes of Special Condition 3 (Cap Level and Floor Level), Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex Reassessment) and Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90). Any cash effect must be implemented only through Special Condition 6 (Adjustments to licensee revenue).

Part F Proceeds of Disposals and effect on cap and floor costs

25 The licensee must procure that any Disposal of a Relevant LDES Asset to which this Special Condition applies is on commercial terms.

26 The licensee must notify the Authority of the gross and net proceeds of any Disposal of a Relevant LDES Asset, together with any material transaction costs, within such period and in such form as may be specified in the RIGs issued under Special Condition 20 (RIGs).

27 The Authority may determine how the proceeds of any Disposal are to be taken into account for the purposes of this licence, which may include, without limitation:

a) directing that AdjustedCost, PCR Cost Baseline, P50, P90, or other cost parameters recorded in the FSPR be reduced;

b) directing that any future Post Construction Adjustment or Opex Reassessment Adjustment be calculated using revised cost inputs that reflect the Disposal; or

c) directing that any net proceeds be treated as a reduction in future amounts that would otherwise be recoverable from consumers under the Floor Level, including through adjustments to parameters used in the LDES Cap and Floor Financial model,

in each case to ensure that consumers receive an appropriate share of the benefit of the Disposal and that there is no upward adjustment to Cap Level or Floor Level arising from the Disposal.

28 Any determination under paragraph 27 must be recorded in the FSPR and applied in accordance with Special Condition 3 (Cap Level and Floor Level), Special Condition 6 (Adjustments to licensee revenue), Special Condition 7 (Post Construction Adjustments), Special Condition 8 (Opex

Reassessment), Special Condition 9 (Delay, Force Majeure and Cost Overruns beyond P50 and P90).

29 Where the Authority considers that a Disposal, or any related transaction, has been structured in a way that has the purpose or effect of extracting value from the Regulated Business to the detriment of consumers, the Authority may:

a) treat associated costs or losses as Excluded Costs and adjust any revenues received to Open Market Value; and

b) direct such further adjustments to the FSPR or to the Cap and Floor Financial Model.

30 Nothing in this Special Condition prevents the licensee from refinancing or restructuring its Indebtedness in accordance with Special Condition 17 (Financial Resilience), provided that any such refinancing or restructuring complies with this Special Condition and does not adversely affect the licensee's ability to comply with this licence or to meet its obligations under the cap and floor regime.

Schedule A ACOD Floor Level Schedule

Part A Purpose, Scope and Status

Purpose and Scope

1 This Schedule sets out the process, and evidence for determination of the Preliminary ACOD Floor Level from Regime Start Date to Financial Close.

2 This Schedule applies where the ACOD Approach applies to the Relevant LDES Facility as recorded in the FSPR.

3 This Schedule covers:

a) the competitive process for raising debt funding for the Relevant LDES Facility ("Debt Funding Competition" or "DFC");

b) any hedging used to support Senior Debt; and

c) ACOD Floor Parameters.

4 Achieved Gearing for the purposes of this Schedule means Gearing as calculated at Financial Close using the Debt (or Net Debt) and Equity amounts attributable to the Relevant LDES Facility as recorded in the FSPR.

Status and No Deemed Approval

5 This Schedule prevails over the LDES Financial Model and Handbook in the event of conflict.

6 Where this Schedule requires Authority approval, there is no deemed approval.

7 The Licensee must not treat silence as approval.

Authority Approvals

8 An approval required by this Schedule is an "Authority Approval".

9 A control point is met only when the Authority has given Authority Approval in writing.

10 The licensee must not progress beyond a control point, as described in paragraph 22, until Authority Approval has been given in writing.

Authority Approval Decisions

11 Where a matter is submitted to the Authority for approval under this licence, the Authority may:

d) approve;

e) approve subject to conditions;

f) refuse approval;

g) require resubmission;

h) require additional information;

i) require an independent report under paragraph 13

j) require a re-run of any step; or

k) where relevant, approve ACOD Floor Parameters with substitutions or exclusions.

Generic Approval Test

12 The Authority will give Authority Approval only where it is satisfied, on the basis of evidence, that:

a) the licensee has complied with this Schedule and any relevant Authority direction;

b) the relevant submission is complete, accurate, and internally consistent;

c) the relevant submission is capable of audit and reproduction by the Authority, including reconciliations to the FSPR and to executed documents where applicable;

d) conflicts of interest have been identified, notified, and mitigated to the Authority's satisfaction;

e) the relevant process has been run on an arm's length basis and with effective competition, having regard to the lender universe, bid participation, prevailing market terms and the evaluation method; and

f) no proposed ACOD Floor Parameter includes any Excluded Cost, Distribution, or other ineligible item.

Independent Reports

13 For the purposes of granting an Authority Approval in compliance with paragraph 12 above, the Authority may require an independent report and may:

a) require it at any control point;

b) require it to be addressed to the Authority;

c) require it to be prepared by a person approved by the Authority;

d) specify scope, method, and deliverables; and

e) require the licensee to provide inputs and access.

14 The licensee must pay the reasonable costs of any independent report required under this Schedule.

15 The licensee must not claim confidentiality against the Authority for any such report.

16 Any independent report must cover such matters, and be in such form, as the Authority specifies (including in the RIGs) for the relevant control point.

17 The Authority will act reasonably and proportionately in exercising its powers under this paragraph.

Effect of Refusal

18 Any refusal must be in writing and must include reasons.

19 The licensee may make written representations or provide further explanations within 15 Working Days of receiving a notice of the Authority's proposed refusal.

20 The Authority will consider any such representations or explanations before issuing a final decision.

21 Where the Authority issues a final decision refusing any Authority Approval required under this Schedule (and does not waive the relevant control point under paragraph 23), the Administrative Approach applies for the Relevant LDES Facility unless the Authority directs otherwise, and the Authority will record the applicable approach in the FSPR.

Part B Control Points and Timetable

Control Points

22 The control points requiring Authority Approval are:

f) DFC Plan;

g) market sounding report and lender universe;

h) lender invitation pack;

i) preferred lender evaluation and selection;

j) lockbox report;

k) Financial Close protocol;

l) Senior Debt Hedging Policy where applicable; and

m) Financial Close pack and ACOD Floor Parameters.

23 The Authority may, at its discretion and by written notice to the licensee, waive the requirement for the licensee to obtain Authority Approval in respect of a particular control point.

Default Submission Timetable

24 The default submission dates are as follows, unless the Authority directs otherwise:

a) DFC Plan: within 90 Working Days of Regime Start Date;

b) market sounding report: no later than sixty days before bid invitation;

c) lender invitation pack: at least 10 Working Days before issue;

d) preferred lender evaluation report: within fifteen Working Days of selecting the preferred lender group;

e) lockbox report and Financial Close protocol: when commitment letters are agreed and before Financial Close; and

f) Financial Close pack: within ten Working Days of Financial Close.

25 The Authority may, by direction or through RIGs:

a) vary dates;

b) add milestones;

c) set materiality thresholds for enhanced oversight; and

d) require reporting of timetable deviation.

Part C Debt Funding Competition

DFC Plan

26 The licensee must submit a DFC Plan for Authority Approval.

27 The DFC Plan must be in the form and include the content and supporting evidence specified in the RIGs (or otherwise directed by the Authority), and must in any event set out:

e) the proposed timetable and control points;

f) the scope of debt to be raised (instruments and proposed security); and

g) the evaluation methodology, including any proposed weightings and change control.

Market Sounding Report

28 The licensee must submit a market sounding report for Authority Approval.

29 The market sounding report must be in the form and include the content and supporting evidence specified in the RIGs (or otherwise directed by the Authority), including sufficient information to evidence the lender universe considered, the market feedback obtained, and any constraints on competition.

30 Where a debt adviser has led the market sounding, the Authority may require an attestation from that adviser in the form specified in the RIGs.

Lender Invitation Pack

31 The licensee must submit the lender invitation pack for Authority Approval before issue.

32 The lender invitation pack must be in the form and include the content and supporting evidence specified in the RIGs (or otherwise directed by the Authority), including sufficient information to enable a like-for-like bid comparison and to demonstrate alignment with the cost baseline and key cap and floor features.

33 Preferred Lender Evaluation

34 The licensee must submit a preferred lender evaluation report for Authority Approval before executing commitment letters.

35 The preferred lender evaluation report must be in the form and include the content and supporting evidence specified in the RIGs (or otherwise directed by the Authority), and must include sufficient detail to demonstrate:

a) the bids received and the basis of comparison;

b) the scoring results against the approved evaluation methodology; and

c) the recommended outcome and reasons.

36 The licensee must not change evaluation weightings without Authority Approval.

Lockbox Report and Financial Close Protocol

37 The licensee must submit a lockbox report for Authority Approval when commitment letters are agreed.

38 The lockbox report must:

a) list priced terms and material non-priced terms; and

b) identify flex and change mechanisms.

39 The licensee must submit a Financial Close protocol for Authority Approval.

40 The Financial Close protocol must be in the form and include the content specified in the RIGs (or otherwise directed by the Authority), and must set out the steps, timetable, deliverables, and escalation process for achieving Financial Close.

41 Following the lockbox point, the licensee must not, without Authority Approval, agree or accept any material change to the priced terms, covenant/DSCR terms, reserve or liquidity requirements, facility structure, security package, hedging terms, or lender group composition, as specified in the RIGs or otherwise directed by the Authority.

42 Any Authority Approval provided under paragraph 41 above must be recorded and included in the Financial Close pack.

Part D Governance and Conflicts

Conflicts and Records

43 The licensee must maintain a conflicts register covering the Debt Funding Competition and any hedging process.

44 The register must cover the licensee, Affiliates, Associates, advisers, lenders, hedge providers, and key contractors.

45 The licensee must notify the Authority of any actual or potential conflict within five Working Days of the licensee becoming aware of such actual or potential conflict.

46 The notification must include mitigations and process protections.

47 The licensee must not appoint an Associate as a paid adviser role for the Debt Funding Competition without Authority Approval.

48 The licensee must retain records of bidder communications, subject to legal privilege and confidentiality.

49 The Authority may require redacted versions where it considers this necessary.

Part E Hedging Governance

Senior Debt Hedging Policy

50 This Part applies where the licensee hedges Senior Debt risks.

51 The licensee must submit a Senior Debt Hedging Policy for Authority Approval before placing any hedge not covered by an approved policy.

52 The Senior Debt Hedging Policy must be in the form and include the content and supporting evidence specified in the RIGs (or otherwise directed by the Authority), and must include sufficient detail to demonstrate that hedge execution and any related costs are economic, efficient and effective.

Hedge Confirmations and Evidence

53 The licensee must provide hedge confirmations which must include trade date, start date, end date, notional, pricing, margins, fees, and counterparty.

54 The licensee must also provide evidence of competition, in the form directed by the Authority, together with a rationale for choosing the selection of the hedge counterparty and evidence that the selection process complied with the requirements of the approved Senior Debt Hedging Policy.

55 Hedge costs may be included in ACOD Floor Parameters only where hedges were placed under an approved policy and evidenced.

Part F ACOD Floor Parameters and Financial Close

ACOD Floor Parameters

56 ACOD Floor Parameters must reflect executed Senior Debt documents at Financial Close.

57 ACOD Floor Parameters must be limited to parameters that affect Debt Service and required coverage.

58 ACOD Floor Parameters must exclude any Distribution or Equity Distribution, any Shareholder Debt, any ineligible Affiliate/Associate value transfer, and any other ineligible item specified in the RIGs or directed by the Authority, and must in all cases exclude Excluded Costs.

Actual Cost of Debt Items

59 Actual Cost of Debt may include:

c) interest costs, including reference rate and margin;

d) lender transaction and commitment fees and other mandatory lender costs (where not elective by the licensee);

e) costs of maintaining any agency, security and intercreditor arrangements;

f) hedging execution and credit costs, where permitted under this Schedule A;

g) costs of required reserve accounts;

h) costs of letters of credit or guarantees required by lenders; and

i) third party adviser costs required by lenders as conditions precedent.

60 Any included item must be evidenced in executed documents and invoices, attributable to the Relevant LDES Facility, and on arm's length terms.

Capital Structure and DSCR

61 Achieved Gearing must not exceed the Gearing Cap.

62 The licensee must submit achieved Gearing and DSCR terms with supporting evidence.

63 The Authority may, for approval purposes:

a) direct the method for calculating achieved Gearing for ACOD purposes;

b) require a capped DSCR for calculation purposes; and

c) disallow DSCR or structural terms it considers not justified by deliverability.

64 The licensee must disclose cash sweep, mandatory prepayment, and lock-up triggers.

65 The Authority may disallow costs arising from lock-up structures not required for deliverability.

Financial Close Pack

66 The licensee must submit a Financial Close pack for Authority Approval.

67 The Financial Close pack must be in the form and include the content and supporting evidence specified in the RIGs (or otherwise directed by the Authority), and must in any event include:

a) executed Senior Debt documentation (and executed hedging documentation where applicable);

b) a clear tie-out from executed terms to the proposed ACOD Floor Parameters; and

c) director certification of completeness and accuracy.

Determination Following Financial Close

68 Following Authority Approval of the Financial Close pack, the Authority will:

a) determine the approved ACOD Floor Parameters for use in LDES CFFM1;

b) calculate and determine the Preliminary ACOD Floor Level;

c) decide whether the Administrative Floor Level applies in place of ACOD; and

d) issue a written determination and record the outcome in the FSPR.

Part G Post-Close Events and PCR Interface

Post-Close Changes

69 ACOD Floor Parameters are determined based on the terms achieved at Financial Close and must not increase after Financial Close, regardless of any subsequent refinancing, amendment, waiver, restructuring, covenant change, margin ratchet or other variation to the Senior Debt or hedging

arrangements. For the avoidance of doubt, this paragraph does not prevent any adjustment made at Post Construction Review in accordance with Special Condition 7 (Post Construction Adjustments) and Special Condition 3 (Cap Level and Floor Level).

70 The licensee must notify the Authority of refinancing, amendments, waivers, or restructuring of Senior Debt.

71 The notification must, where practicable, be given at least sixty days in advance.

72 The notification must include a value for money assessment and comparison to existing terms.

73 The Authority may direct reporting changes and repayment treatment, including treatment of refinancing gains for consumer benefit.

Post Construction Review Interface

74 The licensee must provide evidence at Post Construction Review on use of debt facilities.

75 The evidence must cover undrawn commitments and unused contingency facilities.

76 The Authority may adjust floor related inputs at Post Construction Review to remove unused debt costs through Special Condition 7 (Post Construction Adjustments) and Special Condition 3 (Cap Level and Floor Level).

Part H Records, Audit and Enforcement

Records and Audit

77 The licensee must retain records for the Debt Funding Competition and hedging processes for the period in RIGs or Special Condition 14 (Information, Reporting and Audit).

78 The Authority may audit compliance and may require independent assurance.

Enforcement

79 Where the licensee breaches this Schedule, the Authority may take any step in paragraph 11, including disallowance of costs for ACOD purposes.

80 The Authority may also determine that the Administrative Approach applies where it considers this necessary.

Part I Interpretation

Cross-References

81 Terms used in this Schedule have the meanings in Special Condition 1 (Definitions and Interpretation).

82 Model governance is under Special Condition 13 (Cap and Floor Financial Model Governance).

83 Information, reporting, and audit are under Special Condition 14 (Information, Reporting and Audit).

84 Settlement and repayment are under Special Condition 6 (Adjustments to licensee revenue).

Schedule B Performance Test Protocol

Part A Commissioning Tests (Pre-Regime Start)

1 To ensure that the Relevant LDES Facility meets its performance commitments, and to demonstrate compliance with the parameters specified in the FSPR, a series of tests **"Commissioning Tests"** must be carried out. The LDES Facility's capability shall be assessed against the parameters specified in the FSPR. Such parameters shall be verified and/or validated using an approach consistent with Good Industry Practice. The Commissioning Tests verify the asset's performance, capacity, control systems, compliance with operational limits and the satisfaction of the requirements of the relevant codes and standards.

2 The approach to such verification and/or validation shall be set out in a Commissioning Test plan (the **"Test Plan"**). The Test Plan shall specify the methodology, evidence and assumptions by which the LDES Facility's capability will be demonstrated, consistent with the Commissioning Tests, this Schedule B (Performance Test Protocol), the Reference Conditions and the FSPR. The Test Plan shall be prepared by the licensee, reviewed by the Independent Certifier, and submitted to the Authority for approval prior to commencement of the commissioning programme for the LDES Facility. The Authority shall not unreasonably withhold or delay such approval.

3 Once approved, the Test Plan shall form the basis for determining whether the relevant Commissioning Tests have been complied with and passed, unless amended with the approval of the Authority, including where a material change to the LDES Facility reasonably requires such amendment.

4 Below are the key tests and criteria, followed by definitions of important terms:

a) **Endurance Test**: The licensee shall conduct an Endurance Test to demonstrate in accordance with Good Industry Practice that the LDES Facility can (at the Reference Conditions) continuously discharge at its Rated Export Capacity for at least the Minimum Duration set out in the FSPR. This test confirms the asset's ability to sustain output over the required period, proving its long-duration capability at full power.

The Relevant LDES Facility shall be charged to the Upper Charge Limit prior to the test, and then discharged to the Lower Charge Limit at a constant output equal to the Rated Export Capacity. The total energy output delivered to the Boundary Point during this continuous discharge is measured to verify the Relevant LDES Facility's Effective Usable Energy Capacity under Reference Conditions. The Relevant LDES Facility passes the Endurance Test if, under Reference Conditions and within uncertainty consistent with Good Industry Practice:

(i) it sustains net export at the Boundary Point of not less than the Rated Export Capacity for not less than the Minimum Duration, and

(ii) the measured net energy delivered at the Boundary Point during the continuous discharge is not less than Rated Export Capacity × the applicable Minimum Duration (or such other minimum MWh threshold as is recorded in the FSPR).

For an Endurance Test to be considered valid and successfully completed the LDES Facility must demonstrate to the satisfaction of the IC that the operation during the whole of the Endurance Test is compatible with any conditions imposed by any consent or permit.

b) **Repeat**: The Endurance Test must be successfully completed twice. All cycles should meet the Effective Usable Energy Capacity and Minimum Duration requirements.

c) Charge and Discharge Rate Verification (Boundary Point): The licensee shall demonstrate and verify in accordance with the Test Plan that the LDES asset can achieve and sustain its Rated Export Capacity during discharge and its Rated Import Capacity during charge, as specified in the FSPR, at the defined Boundary Point.

This test confirms that the power flows at the Boundary Point during both charging and discharging truly reach the levels corresponding to the Relevant LDES Facility's rated power. The asset must maintain these rates steadily over a period sufficient to demonstrate continuous operation at full power in each direction (charge and discharge). Such period to be set in accordance with Good Industry Practice. Failure to demonstrate the successful completion of the Charge and Discharge Rate Verification test shall mean that the Endurance Test has not been successfully completed and must be repeated.

d) **State of Charge Measurement and Control Validation**: The licensee shall demonstrate in accordance with Good Industry Practice that the Relevant LDES Facility SoC measurement and control systems are accurate and effective in accordance with Good Industry Practice. This involves showing that the Relevant LDES Facility control system correctly tracks the amount of stored energy and properly manages charging and discharging according to that state of charge.

During testing, including during the Endurance Test, the SoC readings reported by the control system will be observed and compared against the actual energy input and output of the Relevant LDES Facility. This comparison verifies the accuracy of the SoC measurement. The test shall confirm that when the Relevant LDES Facility reaches the Upper Charge Limit (fully charged) or the Lower Charge Limit (fully discharged), the control system recognizes these conditions and automatically prevents further charging or discharging, respectively, to avoid operating outside safe bounds.

The SoC measurement accuracy should be within uncertainty permitted by Good Industry Practice. This is required so that the Effective Usable Energy Capacity (the usable energy between full charge and full discharge) and the available energy at any one time is reliably known by and available to the ESO, and that the asset's control logic can depend on the SoC readings for safe operation.

e) **Compliance with Upper and Lower Charge Limits:** It must be demonstrated in accordance with Good Industry Practice that the Relevant LDES Facility operates strictly within its defined state-of-charge limits at all times. Specifically, the Relevant LDES Facility must never exceed the Upper Charge Limit (UCL) during any charging sequence, and must never go below the Lower Charge Limit (LCL) during discharging.

The Commissioning Tests shall include, in addition to any Endurance Test, at least one complete full-charge cycle (charging the asset up to the Upper Charge Limit) and one complete full-discharge cycle (discharging down to the Lower Charge Limit). These test cycles show that the Relevant LDES Facility control systems respect the predefined SoC bounds under real operating conditions, by stopping charge or discharge at the correct limits.

If the Relevant LDES Facility's control software or hardware imposes any additional safety buffers beyond the defined UCL or LCL (for example, if the battery management system stops charging at 98% even though UCL is defined as 100%), these buffers shall be disclosed and taken into account when determining the Effective Usable Energy Capacity.

f) **Availability**: The continuous availability of the Relevant LDES Facility is tested over an appropriate period of time such that it can be certified that there is a high degree of confidence (in accordance with Good Industry Practice) that the licensee can meet or exceed the Minimum Availability Target in each Relevant Year (in accordance with Special Condition 12 (Technical Capability, Availability and Floor Eligibility)).

g) **Round Trip Efficiency**: The licensee shall demonstrate in accordance with the Performance Test Procedures that the Relevant LDES Facility achieves a Round Trip Efficiency not less than the minimum Round Trip Efficiency recorded in the FSPR. Round Trip Efficiency shall be calculated in accordance with the approved Test Plan and Good Industry Practice, with compliance determined by reference to the arithmetic average of the Round Trip Efficiency values demonstrated across the two Endurance Tests. Failure to demonstrate the minimum Round Trip Efficiency shall mean that the Endurance Test has not been successfully completed and must be repeated.

h) **Correction to Reference Conditions**: Commissioning Tests shall be carried out under Reference Conditions where possible. Where Reference Conditions cannot reasonably be achieved, the licensee shall notify the Authority and the Authority may direct rescheduling or may permit the tests to proceed subject to a correction methodology set out in the approved Test Plan, having regard to relevant industry standards, OEM guidance and Good Industry Practice.

Commissioning Tests must be carried out in accordance with an approved Test Plan. Where rectification works or modifications are carried out between tests, retesting is required only to the extent that the rectification could reasonably be expected to materially affect the outcome of a previously completed test, as confirmed by the Independent Certifier.

5 **Test Notification, Witnessing, Certification and Retest Procedures:** The licensee shall give the Authority no less than ten (10) Working Days' prior notice of the proposed date of any Commissioning Test or retest carried out under this Schedule B, together with such information as the Authority may reasonably require regarding the scope, methodology, timing and arrangements for the test.

6 The Authority, its advisers and the Independent Certifier may attend and observe any Commissioning Test or retest. The licensee shall provide reasonable access and cooperation to facilitate such attendance and observation.

7 No later than ten (10) Working Days after completion of the Commissioning Tests required under Part A of this Schedule B, the licensee shall give to the Authority a notice (a "**Performance Test Notice**") stating that the licensee considers that the Commissioning Tests have been complied with and passed, in accordance with the approved Test Plan and this Schedule B, and enclosing the Supporting Information.

A Performance Test Notice shall be accompanied by:

a) a Directors' Certificate; and

b) an Independent Certifier Certificate; and

c) the Supporting Information.

d) The Directors' Certificate shall certify that the information contained in, and enclosed with, the Performance Test Notice is true, complete and accurate in all material respects and is not misleading.

e) The Independent Certifier Certificate shall certify (on the basis of the Independent Certifier's review of the process and records) that:

f) each Commissioning Test was carried out in accordance with this Schedule B (Performance Test Protocol), the approved Test Plan and the applicable Performance Test Protocol;

g) the metering, data acquisition and calculations used to determine compliance were applied in accordance with the approved Test Plan and the Performance Test Protocol; and

h) the results set out in the Performance Test Notice (including the pass/fail outcomes for each Commissioning Test) are supported by the Supporting Information.

i) No later than 20 Working Days after receipt of a Performance Test Notice, the Authority shall give a notice to the licensee (a "**Performance Test Assessment Response Notice**") which shall specify whether the Authority considers that:

j) the Commissioning Tests have been complied with and passed; or

k) the Commissioning Tests have not been complied with and passed; or

l) the Authority has not been provided with sufficient Supporting Information to determine whether the Commissioning Tests have been complied with and passed, and if so, specify the additional Supporting Information which the Authority requires (the "**Requested Test Supporting Information**").

m) If the Authority states that the Commissioning Tests have been complied with and passed, then the Commissioning Tests shall be deemed to have been complied with and passed.

n) If the Authority states that the Commissioning Tests have not been complied with and passed, then the Commissioning Tests shall be deemed not to have been complied with and passed and shall be repeated.

o) If the Authority states that it has not been provided with sufficient Supporting Information:

p) the licensee shall provide the Requested Test Supporting Information as soon as reasonably practicable and in any event no later than 10 Working Days after receipt of the Performance Test Assessment Response Notice (or such longer period as the Authority may specify acting reasonably); and

q) upon receipt of the Requested Test Supporting Information, the Authority shall as soon as reasonably practicable and in any event no later than 20 Working Days after receipt of the Requested Test Supporting Information give a further Performance Test Assessment Response Notice confirming whether the Commissioning Tests have or have not been complied with and passed.

Without limitation, a Performance Test Notice shall be deemed to be ineffective if:

r) it does not include the information specified;

s) it is not accompanied by a Directors' Certificate and an Independent Certifier Certificate; or

t) the Authority states in the Performance Test Assessment Response Notice that the Commissioning Tests have not been complied with and passed.

u) If a Performance Test Notice is ineffective and/or any Commissioning Test is deemed not to have been complied with and passed, this shall not preclude the licensee from carrying out remedial actions and giving a further Performance Test Notice following a retest of the relevant Commissioning Test(s).

v) Any retest shall be conducted in accordance with this Schedule B (Performance Test Protocol), the approved Test Plan and the Performance Test Protocol and shall be

supported by a new Directors' Certificate, Independent Certifier Certificate and Supporting Information for the retest.

In this paragraph:

w) "**Directors' Certificate**" means a certificate signed by two directors of the licensee (or equivalent office-holders) confirming successful completion in accordance with this licence.

x) "**Independent Certifier"** means an independent professional person or firm, appointed by the Authority, with qualifications and experience appropriate to the specific matter being certified, including as applicable (a) technical engineering, commissioning and performance testing of LDES facilities, (b) electricity metering, settlement, data and control systems, (c) commercial allocation and attribution methodologies, and (d) financial reporting and assurance.

(i) The Authority may appoint a single Independent Certifier, or a limited number of Independent Certifiers, across multiple Relevant LDES Facilities. Where more than one Independent Certifier is appointed, the Authority may require such Independent Certifiers to participate in cross-project moderation, calibration and assurance processes to support consistent and comparable application of this Schedule across Relevant LDES Facilities.

(ii) The Independent Certifier must have no conflict of interest, must not be an Affiliate or Associate of the Licensee or any Co-located asset owner, and must not be remunerated on a contingent-fee basis or otherwise by reference to the performance of the LDES Facility. The Licensee must promptly notify the Authority of any conflict of interest relating to the Independent Certifier of which it becomes aware.

y) The Independent Certifier must perform its work in accordance with Good Industry Practice and applicable professional and assurance standards, and must make working papers and supporting evidence available to the Authority on request in accordance with Special Condition 14 (Information, Reporting and Audit). The reasonable and efficiently incurred costs of the Independent Certifier shall be borne by the licensee. "**Independent Certifier Certificate**" means a written certificate, report or opinion issued by the Independent Certifier in relation to a specified subject matter under this licence, addressed to the Licensee and available to the Authority on request, which:

(i) identifies the subject matter and period covered, and cites the applicable requirements of this licence and any relevant Schedule or Authority direction;

(ii) states the assurance level required in the relevant Special Condition or Schedule, and the basis of assessment, including Good Industry Practice and any applicable professional or assurance standards. For the avoidance of doubt, where the relevant subject matter includes compliance with Commissioning Tests under this Part A, the basis of assessment must include the approved Test Plan);

(iii) summarises the procedures performed to the extent reasonably necessary for the Authority to understand the basis of the conclusion;

(iv) gives a clear conclusion suitable to the subject matter, including, as applicable:

(1) pass or fail against specified tests,

(2) an opinion on whether a methodology is fairly designed and applied and supports accurate allocation without double counting,

(3) an opinion on whether metering, data, controls, records or calculations are accurate in all material respects, and

(4) an opinion on whether operation, testing or other activities were consistent with Good Industry Practice;

(v) sets out any conditions to be met, limitations, departures, data gaps or uncertainties, and, where practicable, quantifies the effect of any identified deviations or limitations; and

(vi) is signed and dated by the Independent Certifier and confirms the signatory's name, capacity and qualifications, together with a statement of independence and absence of conflicts.

(vii) For the purposes of this licence, references to an Independent Certifier Certificate include any reasonable-assurance report, limited-assurance report or technical certification issued by the Independent Certifier on the subject matter specified in the relevant Special Condition or Schedule. The Independent Certifier must retain and, on request, make available to the Authority its working papers and supporting evidence in accordance with Special Condition 14 (Information, Reporting and Audit).

z) "**Supporting Information**" means such metering records, SCADA/BMS logs, test scripts, configuration records, event logs, calibration certificates, calculations and summaries as are reasonably necessary to evidence compliance with this Schedule B (Performance Test Protocol) the approved Test Plan and the parameters specified in the FSPR, including (as applicable): (i) time-series export/import data at the Boundary Point; (ii) SoC logs; (iii) UCL/LCL setpoints and control screenshots/configuration exports; (iv) start/stop times and any interruptions; (v) the computation of any reported outcomes and uncertainty; and (vi) any other data or equivalence analysis relied upon under the approved Test Plan.

aa) "**Test Plan**" means the Commissioning Test plan prepared by the Licensee in accordance with Schedule B (Performance Test Protocol), which sets out the methodology, evidence and assumptions by which the capability of the LDES Facility will be demonstrated, including any use of physical testing, design evidence or operational data, and which is reviewed by the Independent Certifier and approved by the Authority.

Part B Periodic Capacity and Performance Testing

8 Throughout the Regime Duration, when the Floor Level is in force, the licensee shall ensure that the Relevant LDES Facility continues to meet its capacity, duration, power and control performance obligations under this licence.

9 For the purpose of demonstrating ongoing compliance, the licensee shall carry out periodic capacity and performance testing of the Relevant LDES Facility in accordance with this Part B (each a Periodic Performance Test). Where relevant to the methodology, evidence or assumptions previously approved for the LDES Facility, each Periodic Performance Test shall be carried out in a manner consistent with the approved Test Plan unless otherwise approved or directed by the Authority.

10 Unless otherwise required under this Part B or otherwise directed by the Authority, the licensee shall conduct a Periodic Performance Test at least once every three (3) years during the Operational Period.

11 In addition to routine testing, the licensee shall conduct a Periodic Performance Test as soon as reasonably practicable following the occurrence of any event which could reasonably be expected to have a material effect on the performance of the Relevant LDES Facility, including any major maintenance, refurbishment, component replacement, augmentation, upgrade or modification affecting Rated Export Capacity or Effective Usable Energy Capacity.

12 The licensee shall also conduct a Periodic Performance Test where operational data indicates a sustained reduction in performance relative to the Relevant LDES Facility's declared capacities or durations, including where discharge duration or achievable output power is persistently reduced to a level materially below committed values.

13 Each Periodic Performance Test shall assess, to the extent reasonably applicable, the same core performance characteristics as the Commissioning Tests set out in Part A, including endurance capability, Effective Usable Energy Capacity, charge and discharge power at the Boundary Point, accuracy and operation of the State of Charge measurement system, Round Trip Efficiency and compliance with the Upper Charge Limit and Lower Charge Limit.

14 For the avoidance of doubt, a Periodic Performance Test is not intended to replicate commissioning in full, but to verify that the Relevant LDES Facility continues to perform in a manner consistent with the outcomes demonstrated under the Commissioning Tests, subject to Permitted Degradation.

15 The results of each Periodic Performance Test shall be corrected to Reference Conditions in accordance with the Test Plan, Good Industry Practice, or otherwise adjusted using a correction methodology justified by reference to OEM guidance and accepted engineering standards.

16 In assessing the outcome of a Periodic Performance Test, allowance may be made for reasonable performance degradation over time ("**Permitted Degradation**"), provided that such degradation is consistent with Good Industry Practice for the relevant technology and is justified by the Independent Certifier. For the purposes of this Schedule, Permitted Degradation means degradation that is:

a) consistent with OEM performance warranties or degradation curves applicable to the Relevant LDES Facility; and

b) consistent with Good Industry Practice for comparable assets of the same technology and duty cycle.

17 The Independent Certifier must state explicitly whether observed degradation falls within those bounds and identify the benchmark or reference used.

18 The Independent Certifier shall expressly state whether any observed degradation falls within Permitted Degradation and shall provide a reasoned explanation, by reference to Good Industry Practice, as to why such degradation is considered reasonable.

19 Notwithstanding any Permitted Degradation, the Relevant LDES Facility shall at all times remain capable of meeting the minimum performance requirements applicable under this licence, including the ability to deliver the Minimum Duration at the Rated Export Capacity.

20 Following completion of a Periodic Performance Test, the licensee shall prepare and submit to the Authority a performance test report setting out the testing undertaken, the measured results, any corrections applied, and an assessment of compliance with this Schedule and, where relevant, the approved Test Plan and the FSPR.

21 Each performance test report submitted under this Part B shall be accompanied by a Directors' Certificate and an Independent Certifier Certificate confirming that the test has been carried out

in accordance with this Schedule, and, where relevant, the approved Test Plan, and that the reported results are true, complete and accurate in all material respects.

22 If a Periodic Performance Test demonstrates that the Relevant LDES Facility does not meet one or more requirements of this Schedule (a "**Failed Test**"), including any requirement relating to Minimum Duration, Effective Usable Energy Capacity or Reference Capacity, the licensee shall notify the Authority as soon as reasonably practicable and in any event no later than five (5) Working Days after becoming aware of the Failed Test.

85 Within 20 Working Days of becoming aware of a Failed Test, the licensee shall provide to the Authority:

a) a root-cause assessment of the Failed Test;

b) supporting technical evidence;

c) an assessment of whether, and to what extent, the Failed Test affects the Relevant LDES Facility's ability to comply with this licence; and

d) a remedial action plan setting out the remedial works or corrective actions proposed to restore compliance and the timetable for doing so.

23 The licensee shall undertake such remedial works or corrective actions as are reasonably necessary to restore compliance and shall, following completion of those works or actions, carry out a further Periodic Performance Test to demonstrate that the Relevant LDES Facility has been restored to compliance. Any retest following a Failed Test shall be undertaken as soon as reasonably practicable and, in any event, no later than six (6) months after completion of the relevant remedial works or corrective actions, unless otherwise agreed with the Authority.

24 Any retest carried out under this Part B shall be subject to the same scope, correction principles, reporting requirements and certification obligations as the original Periodic Performance Test.

25 All Periodic Performance Test results, including any failures, remedial actions, retests and revised performance declarations, shall be documented by the licensee and retained as part of the operational records of the Relevant LDES Facility.

Part C Reference Capacity

26 For the purposes of this licence (including the Equivalent Availability Calculation), the Reference Capacity shall be the average deliverable power (in MW) at the Boundary Point as proven by performance testing in accordance with Schedule B (Performance Test Protocol) and recorded in the FSPR. Projects where the deliverable power changes with state of charge shall be required to demonstrate a power delivery profile with time.

27 The Reference Capacity shall initially be the lesser of the average deliverable export power (in MW) and the average deliverable import power (in MW) at the Boundary Point demonstrated in the Commissioning Tests (corrected to Reference Conditions), as evidenced by the Performance Test Notice and Supporting Information.

28 Following each Periodic Performance Test carried out under this Part B, the licensee shall consider whether the Reference Capacity remains unchanged or requires updating by reference to the tested average deliverable power demonstrated at the Boundary Point by the test, taking account of any correction to Reference Conditions.

29 If a Periodic Performance Test demonstrates that the Relevant LDES Facility cannot achieve the previously recorded Reference Capacity at the Boundary Point due to a technical limitation (other than a limitation arising solely from State of Energy), then the licensee shall promptly notify the

Authority and shall either carry out remedial works and retest in accordance with Part B or, if the shortfall persists and the Authority both concludes that the relevant degradation is Permitted Degradation and so directs, update the Reference Capacity in the FSPR to the average deliverable power demonstrated by the certified test evidence.

30 Any update to the Reference Capacity under this Part C shall be supported by the performance test report and shall be accompanied by a Directors' Certificate and an Independent Certifier Certificate confirming the average deliverable power demonstrated at the Boundary Point and the basis of any corrections applied.

31 For the avoidance of doubt, Reference Capacity remains the value recorded in the FSPR unless and until the Authority directs an update. Demonstrated underperformance does not of itself change Reference Capacity and is treated through availability, MAT assessment, or enforcement, unless the Authority directs otherwise and records a revised Reference Capacity in the FSPR.

Schedule C Co-Location and Behind the Meter Generation

Part A Purpose, scope and status

Purpose

1 This Schedule sets metering, allocation, and valuation rules for co-location and behind-the-meter arrangements.

2 Its purpose is to ensure that Gross Revenue, Market Related Costs, Non Controllable Operational Costs and Assessed Revenue for the Relevant LDES Facility are identifiable, auditable, and not distorted by co-location.

Scope

3 This Schedule applies where the Relevant LDES Facility is co-located with any other generation or load asset, or operates behind the meter with any other asset, whether or not under common ownership or control.

4 This Schedule applies whether the co-located assets share:

a) a grid connection;

b) a Boundary Point;

c) a metering system; or

d) a Balancing Market Unit or other market participation arrangement.

5 This Schedule applies from the Effective Licence Date and for so long as any co-location or behind-the-meter arrangement exists during the Regime Duration.

Status and interaction

6 This Schedule must be applied for the purposes of Special Condition 4 (Assessed Revenue and Revenue Netting) and any other Special Condition that relies on attribution of revenues, costs, or energy flows.

7 If there is any conflict between this Schedule and a Special Condition, the Special Condition prevails.

8 Nothing in this Schedule limits the application of Special Condition 21 (Structured Transactions), Special Condition 17 (Financial Resilience) or any Excluded Costs provision.

Part B Definitions for this Schedule

Definitions

9 In this Schedule, unless the context otherwise requires:

a) “Co-located Asset” means any electricity generation, storage, demand, conversion, or ancillary facility that is located at the same site as the Relevant LDES Facility, or shares any physical, electrical, commercial, or operational arrangement with it, including shared connection assets or shared operational control systems.

b) “Co-located Generation” means any Co-located Asset that generates electricity.

c) "Co-located Load" means any Co-located Asset that consumes electricity, including an electrolyser or other conversion plant.

d) "Shared Connection Asset" means any asset used for connection or site operation that is used by both the Relevant LDES Facility and one or more Co-located Assets, including a grid connection, transformer, switchgear, cables, metering, civil works, land, or control systems.

e) "Behind-the-meter Transfer" means any flow of electricity between the Relevant LDES Facility and a Co-located Asset that does not pass through the Boundary Point meter for the Relevant LDES Facility.

f) "Market Reference Price" means the price series directed by the Authority for the valuation of Behind-the-meter Transfers for the purposes of calculating Gross Revenue and Market Related Costs.

10 The Authority may direct different Market Reference Prices for different categories of transfer or market product.

11 Unless the Authority specifies otherwise in the RIGs, Market Reference Price must be derived from published market indices or settlement prices and must be reproducible from the reported data.

Part C Metering and measurement

General metering requirement

12 The licensee must maintain metering arrangements that allow the Authority to measure, for the LDES Facility, electricity imported and exported at the Boundary Point and any Behind-the-meter Transfers.

13 The licensee must ensure the metering arrangements are compliant with the applicable Codes and any metering directions.

Separate metering for the LDES Facility

14 The LDES Facility must have a metering point that allows the Authority to determine its import and export independently of any Co-located Asset.

15 The Authority may consent to an alternative arrangement only where the licensee demonstrates that the alternative provides equivalent separation and auditability.

Sub-metering for co-location and behind-the-meter operation

16 The licensee must install and maintain sub-metering (or equivalent measurement) sufficient to measure, at settlement-period granularity where applicable:

a) charging energy received by the Relevant LDES Facility from any Co-located Generation behind the meter;

b) charging energy received by the Relevant LDES Facility from any other source behind the meter;

c) energy discharged by the Relevant LDES Facility to any Co-located Load behind the meter; and

d) any other Behind-the-meter Transfers that the Authority directs to be measured.

17 Sub-metering must be capable of audit and must be retained with the underlying time series.

Metering faults and estimation hierarchy

18 Where metering or sub-metering is unavailable or demonstrably unreliable for any period, the licensee must estimate the affected values using the hierarchy and methods specified in the RIGs.

19 Any estimate must be identified as provisional and reconciled when actual or corrected data becomes available.

20 The estimation methods specified in the RIGs must not systematically increase consumer support relative to a reasonable estimate of actual outturn.

Part D Attribution principles

General attribution rules

21 The licensee must calculate Gross Revenue, Market Related Costs and Non Controllable Operational Costs so that only amounts attributable to the Relevant LDES Facility and Regulated Assets are included.

22 Each underlying transaction, flow, or cost item must be included once only.

23 The licensee must apply consistent attribution methods across Relevant Years unless the Authority approves a change.

24 The licensee must not use any attribution approach whose purpose or likely effect is to distort Assessed Revenue relative to arm's length outcomes.

25 The licensee must not include within Gross Revenue for the Relevant LDES Facility any subsidy, certificate, support payment, or benefit that is payable by reference to electricity generated by a Co-located Generation asset, except where the Authority directs otherwise.

26 This includes support under any renewable support scheme, capacity mechanism (other than as directed for the Relevant LDES Facility), or other policy scheme that is not payable to the Relevant LDES Facility.

Attribution methodology

27 The licensee must prepare and maintain an Attribution Methodology for any site where the Relevant LDES Facility is co-located or operates behind the meter.

28 The Attribution Methodology must set out the approach for:

a) identifying each Co-located asset and each Shared Asset;

b) metering, sub-metering, data sources, and data quality controls;

c) allocating energy flows, revenues, and costs between the Relevant LDES Facility and each Co-located asset, including Shared Costs and any regulated charges;

d) applying the valuation rules for Behind-the-meter Transfers under paragraphs 42 to 63;

e) preventing double counting across GRt, MRCt, NCCt and ARt; and

f) handling estimation, proxies, and true-up where actuals are not available, in line with the RIGs.

29 The licensee must submit the Attribution Methodology to the Authority for confirmation in the form and by the date specified in the RIGs or as otherwise directed by the Authority.

30 Pending confirmation under paragraph 31, the licensee may apply its submitted Attribution Methodology on a provisional basis, but only to the extent it is consistent with this Schedule C (Co-Location and Behind the Meter Generation).

31 The Authority may, by notice:

a) confirm the Attribution Methodology;

b) confirm it subject to conditions;

c) require changes to align it with this Schedule C (Co-Location and Behind the Meter Generation); or

d) refuse to confirm it and direct an alternative approach that aligns with this Schedule C (Co-Location and Behind the Meter Generation).

32 Where the Authority requires changes under paragraph 31c) or directs an alternative approach under paragraph 31d), the licensee must implement those changes from the effective date stated in the Authority's notice and must make any restatements or true-ups for earlier periods only to the extent directed by the Authority.

33 The licensee must not make a material change to the Attribution Methodology unless:

a) the change is required by this Schedule C (Co-Location and Behind the Meter Generation) or the RIGs; or

b) the Authority has confirmed the change in writing, or has directed the change.

34 The Attribution Methodology, and any confirmation, conditions, or directions under this Schedule, must be recorded in the FSPR where the Authority directs.

35 The Attribution Methodology must be consistent with this Schedule. To the extent of any inconsistency between the Attribution Methodology (including any confirmed version) and this Schedule, this Schedule prevails, and the licensee must promptly amend the Attribution Methodology to remove the inconsistency in accordance with any Authority direction. For the avoidance of doubt, no confirmation of an Attribution Methodology (or change to it) shall be taken to permit any treatment that would reduce Gross Revenue, increase Market Related Costs or otherwise increase expected consumer support relative to the treatment required by this Schedule, unless the Authority expressly directs that treatment and records the direction (and reasons) in the FSPR.

Attribution reporting and deviations

36 For each Relevant Year, the licensee must prepare an Attribution Report as part of the Annual Cap and Floor RIGs Submission (or in such other form and timing as the RIGs specify).

37 The Attribution Report must:

a) identify the version of the Attribution Methodology applied for the year;

b) confirm whether the year's reporting complies with this Schedule C (Co-Location and Behind the Meter Generation) and the confirmed Attribution Methodology;

c) describe each deviation, error, or data limitation, and quantify its impact on GRt, MRCt, NCCt and ARt; and

d) set out the proposed correction and the timetable for any true-up, consistent with the RIGs.

38 The Attribution Report must be certified by a senior officer of the licensee in the manner specified in the RIGs.

Directions

39 The Authority may direct a treatment that departs from this Schedule C (Co-Location and Behind the Meter Generation) where it considers that departure is necessary to give proper effect to the cap and floor regime.

40 Before issuing a direction under paragraph 39, the Authority must consult the licensee.

41 A direction under paragraph 39 must be in writing, must state reasons, and must specify the effective date and any transition or true-up requirements.

Part E Valuation of behind-the-meter energy and treatment of Market Related Costs

Core rule on behind-the-meter valuation

42 For the purposes of calculating Assessed Revenue, each Behind-the-meter Transfer must be treated as an external transaction of the Relevant LDES Facility for the Relevant Year.

43 This Part applies whether or not any internal payment is made between legal entities in the licensee's group and whether or not the Relevant LDES Facility and the counterparty asset are held in the same legal entity.

44 For each settlement period i, the starting valuation for a Behind-the-meter Transfer is the Market Reference Price for that settlement period (MRPi).

45 Where a Behind-the-meter Transfer results in a cost item to be included within Market Related Costs or Non Controllable Operational Costs for the Relevant LDES Facility, the amount included for settlement period i must be the lower of:

a) MRPi; and

b) the Efficient Proxy Cost for settlement period i, determined under paragraph 47.

46 Where a Behind-the-meter Transfer results in a revenue item to be included within Gross Revenue for the Relevant LDES Facility, the amount included for settlement period i must be the higher of:

a) MRPi; and

b) the Efficient Proxy Value for settlement period i, determined under paragraph 47.

47 Efficient Proxy Cost and Efficient Proxy Value will be as follows:

a) Efficient Proxy Cost must be the lower of:

(i) any actual internal transfer charge or invoice amount for the relevant settlement period, where that charge is evidenced and is capable of audit; and

(ii) an efficient cost proxy determined in accordance with the RIGs (or as otherwise directed by the Authority).

b) Efficient Proxy Value must be the higher of:

(i) any actual internal transfer receipt or invoice amount for the relevant settlement period, where that receipt is evidenced and is capable of audit; and

(ii) an efficient value proxy determined in accordance with the RIGs (or as otherwise directed by the Authority).

c) Any efficient proxy used under this paragraph must be determined on a basis that:

(i) it includes only amounts that are economic, efficient and effective for the relevant activity;

(ii) excludes any Excluded Costs; and

(iii) excludes any value that would result in double counting with revenues or support received by any other asset or activity.

48 The licensee must maintain internal accounting records that allow the Authority to reproduce each Efficient Proxy Cost and Efficient Proxy Value and reconcile them to metered volumes and to any invoices, settlement statements, or management accounts used for the proxy.

49 Negative price treatment will be as follows:

a) Gross Revenue must not be negative for any settlement period.

b) If applying paragraph 46 would produce a negative revenue amount for any settlement period, that revenue amount must be treated as zero and any resulting negative amount must instead be treated as a Market Related Cost item for that settlement period.

c) A negative amount must not be included within Market Related Costs or Non Controllable Operational Costs under paragraph 45 unless the licensee evidences, to the Authority's satisfaction, that the negative amount reflects an external settlement benefit actually earned by the Relevant LDES Facility in that settlement period or an external payment unavoidably avoided in that settlement period.

d) Where the evidence in paragraph 49c) is not provided or is not accepted by the Authority, the relevant price input for the cost valuation in that settlement period must be treated as zero for the purposes of paragraph 45.

50 There must be no double counting, as follows:

a) Each metered volume and each underlying transaction must be included once only across Gross Revenue, Market Related Costs, Non Controllable Operational Costs, and any other adjustment term.

b) Where a proxy value is used in any Relevant Year and is later replaced by an accrual value for the same item, the later value must be netted so that the item is not counted more than once.

51 The Authority may by direction or by way of the RIGs specify:

a) the Market Reference Price to be used for specified markets, products, or settlement periods;

b) the required form of any efficient cost proxy or efficient value proxy; and/or

c) further evidence requirements for the application of this Part.

Charging energy sourced from Co-located Generation behind the meter

52 Where the Relevant LDES Facility charges using electricity generated by Co-located Generation behind the meter, the licensee must treat that charging energy as an energy purchase for the Relevant LDES Facility.

53 The deemed energy purchase cost for such charging energy for the Relevant $Year_t$ must be calculated as:

54 $$DeemedChargeCostt = \Sigma i\ (Echgi \times Pricei)$$

Where:

a) $Echg_i$ is the metered MWh of charging energy received by the Relevant LDES Facility in settlement period i via a Behind-the-meter Transfer; and

b) $Price_i$ is the value determined for that settlement period under paragraph 45 (including the application of paragraph 49).

55 $DeemedChargeCost_t$ must be included within Market Related Costs for the Relevant Year.

56 Any internal transfer price, invoice, or group allocation relating to that charging energy must be disregarded for the purposes of calculating Assessed Revenue, except to the extent it is used only as an input to Efficient Proxy Cost under paragraph 47 and only where it meets the evidence requirements in paragraph 47 and 48.

Discharge energy supplied to Co-located Load behind the meter

57 Where the Relevant LDES Facility discharges electricity by way of a Behind-the-meter Transfer to any Co-located asset or load, the licensee must treat that electricity as sold by the Relevant LDES Facility for the purposes of calculating Assessed Revenue.

58 The deemed discharge revenue for Relevant $Year_t$ must be calculated as:

$$\text{DeemedDischargeRevenuet} = \sum \text{i}\ (\text{Edis}_\text{i} \times \text{Price}_\text{i})$$

Where:

a) $Edis_i$ is the metered MWh of electricity delivered by the Relevant LDES Facility in settlement period I by way of a Behind-the-meter Transfer; and

b) $Price_i$ is the value determined under paragraph 46 for settlement period i, applying paragraph 49.

59 DeemedDischargeRevenuet must be included within Gross Revenue for the Relevant Year.

60 Any internal transfer price, invoice, or group allocation relating to the discharge energy must be disregarded for the purposes of calculating Assessed Revenue, except to the extent it is used only as an input to Efficient Proxy Value under paragraph 47 and only where it meets the evidence requirements in paragraph 47 and 48.

61 The licensee must apply this Part whether or not the Relevant LDES Facility and the counterparty asset or load are held within the same legal entity.

62 Where Efficient Proxy Value under paragraph 47 is derived by reference to avoided external procurement costs of the counterparty asset or load, it must be calculated in accordance with the RIGs (or as otherwise directed by the Authority) and must:

a) be limited to economic, efficient and effective avoided costs; and

b) exclude any element that is not actually avoided, or that would result in double counting with any other revenue, cost, or support amount.

63 Electricity discharged and consumed within the Relevant LDES Facility for its own auxiliary consumption is not a Behind-the-meter Transfer for the purposes of this Part and must not be treated as Gross Revenue.

Other Behind-the-meter Transfers

64 The Authority may direct that any other Behind-the-meter Transfers are to be treated as:

a) deemed purchases and included in Market Related Costs;

b) deemed sales and included in Gross Revenue; or

c) excluded, where the Authority is satisfied exclusion is appropriate and does not distort Assessed Revenue.

65 Any such direction must specify the valuation basis and must be applied from the effective date stated in the direction.

Shared imbalance, trading and market participation items

66 Where imbalance settlement items, balancing mechanism items, Optimiser fees, or other Market Related Costs are incurred at site level or portfolio level and relate to both the Relevant LDES Facility and one or more Co-located Assets, the licensee must allocate those items between assets.

67 Allocation must be on a reasonable basis that reflects causation.

68 Save where the Authority directs otherwise, the default allocation basis is proportional to metered energy volumes that drove the item, unless the Authority directs another basis.

69 The licensee must retain a reconciliation that shows the source data, method, and resulting allocations.

Part F Allocation of shared costs and charges

Shared Connection Assets and site costs

70 Where any cost relates to a Shared Connection Asset, the licensee must allocate that cost between the Relevant LDES Facility and other Co-located Assets.

71 The allocation method must be:

a) evidence-based;

b) replicable; and

c) consistent with how the asset is used.

72 The default allocation is proportional to measured flows where measurable.

73 Where measured flows are not a suitable allocator, the licensee must use a capacity-based allocator or another method directed by the Authority.

Network charges and other regulated charges

74 Where network charges or other regulated charges are billed on a site basis and relate to both the Relevant LDES Facility and other Co-located Assets, the licensee must allocate those charges between assets using a method that is consistent with the charging basis and the available measurements.

75 The licensee must not allocate charges to the Relevant LDES Facility that relate solely to another asset.

76 The licensee must not allocate to another asset charges that relate solely to the Relevant LDES Facility.

Part G Reporting, notifications, and evidence

Co-location register

77 The licensee must maintain a register of Co-located Assets.

78 The register must include for each Co-located Asset:

a) asset type and capacity;

b) ownership and whether the counterparty is an Affiliate, Associate, or Related Undertaking;

c) connection and metering configuration; and

d) a description of any Behind-the-meter Transfers.

Reporting

79 The licensee must report, in the form and frequency specified in the RIGs:

a) Boundary Point import and export for the Relevant LDES Facility;

b) all Behind-the-meter Transfers and the valuation applied;

c) the Market Reference Price series used;

d) all allocation methods used under this Schedule; and

e) reconciliations showing that no double counting has occurred.

80 The Authority may require an independent assurance report on any aspect of this Schedule.

81 The licensee must provide such assurance at its own cost where directed.

Change control

82 The licensee must notify the Authority in advance of any material change to:

a) the co-location configuration;

b) metering or sub-metering arrangements;

c) the market participation arrangements that affect attribution; or

d) the identity or capacity of a Co-located Asset.

83 The Authority may direct changes to the attribution approach or the Market Reference Price following such notification.

Part H Interpretation

Anti-gaming

84 The licensee must apply this Schedule in a way that supports accurate measurement of the Relevant LDES Facility's market performance.

85 If the Authority considers that the application of this Schedule has the effect of understating Market Related Costs or overstating Gross Revenue relative to arm's length market outcomes, it may:

a) direct revisions to the valuation basis;

b) substitute notional values; or

c) require changes to metering and reporting,

86 in each case consistently with the licence and the RIGs.

No limitation of other controls

87 Compliance with this Schedule does not of itself make any transaction compliant with Special Condition 21 (Structured Transactions) or any other conduct, procurement, or related party control.

Facility Specific Parameters Register

1 Purpose and Status

1.1 This Schedule records only those project-specific parameters, values, designations and effective dates that are required to apply the Special Conditions of this licence to the Relevant LDES Facility.

1.2 The FSPR does not form part of this licence. The Special Conditions prevail in the event of conflict. The FSPR must not restate or modify the Special Conditions.

1.3 The licensee must use the values recorded in the FSPR when calculating, reporting and settling amounts under these Special Conditions, including (without limitation) under Special Condition 3 the Backstop Delay Charge and Backstop Delay Repayment Balance under Special Condition 6 Part F, and the settlement of those amounts under Special Condition 11.

1.4 The Authority may amend the FSPR only by direction in accordance with Special Condition 24 (Status of FSPR). Each parameter must include an effective date. Where a parameter is updated, the prior value must remain available for audit and reconciliation.

1.5 Unless the Authority directs otherwise, the FSPR consists only of the tables in Part 2 and (where applicable) the determination log in Part 3.

2 Parameter Tables

2.1 Identification

Parameter	Description	Value	Units	Effective Date
Licensee name	Legal name of licensee	[●]	n/a	[●]
Company number	Registered number	[●]	n/a	[●]
Relevant LDES Facility name	Name used in licence	[●]	n/a	[●]
Technology type	Technology designation	[●]	n/a	[●]

2.2 Regime

Parameter	Description	Value	Units	Effective Date
Track	Track 1 / Track 2	[●]	n/a	[●]
Application window	e.g., Window 1	[●]	n/a	[●]
Financing approach	Administrative / ACOD	[●]	n/a	[●]
Facility classification	Project Finance / Balance Sheet	[●]	n/a	[●]

2.3 **Key Dates**

Parameter	Description	Value	Units	Effective Date
Effective Licence Date	Date Special Conditions first effective	[●]	date	[●]
Regime Start Date	As used for Relevant Years	[●]	date	[●]
Full Commissioning Date	Floor Start Date = FCD	[●]	date	[●]
Target Delivery Date	TDD	[●]	date	[●]
Backstop Date	Backstop	[●]	date	[●]
Longstop Date	For SC25 Construction Longstop Event	[●]	date	[●]
Regime Duration (years)	Prescribed number of years	[●]	years	[●]
Regime End Date	Calculated from Regime Duration	[●]	date	[●]
Financial Year	Accounting reference period basis	[●]	n/a	[●]
FID	Date by which milestone is to be achieved	[●]	Date	[●]
Financial Close	Date by which milestone is to be achieved	[●]	Date	[●]
Grid connection	Date by which milestone is to be achieved	[●]	Date	[●]
Planning Consent	Date by which milestone is to be achieved	[●]	Date	[●]
Other Authority-directed milestone	Date by which milestone is to be achieved	[●]	Date	[●]

2.4 **Assessment and Settlement**

Parameter	Description	Value	Units	Effective Date
Relevant Assessment Period length	Years per assessment period	[●]	years	[●]
Settlement cadence	Annual / end-of-period / as directed	[●]	n/a	[●]

Within Period Adjustment availability	Yes/No (and conditions if any)	[●]	n/a	[●]
WPA materiality threshold (if any)	Threshold for WPA requests/determinations	[●]	£ or %	[●]

2.5 **Cap and Floor Base Terms**

Parameter	**Description**	**Value**	**Units**	**Effective Date**
Base Year	Price base for real terms	[●]	year	[●]
PCL	Preliminary Cap Level term	[●]	£ (real)	[●]
PAdminFL	Preliminary Administrative Floor Level term	[●]	£ (real)	[●]
PACODFL	Preliminary ACOD Floor Level term (if applicable)	[●]	£ (real)	[●]
Sharing Rate	Revenue sharing parameter	0.3	Decimal	[●]

2.6 **Adjustment Terms**

Parameter	**Description**	**Value**	**Units**	**Effective Date**
PCAC	Post Construction Adjustment at Cap	[●]	£ (real)	[●]
PCAAF-Admin	Post Construction Adjustment at Admin Floor	[●]	£ (real)	[●]
PCAAF	Post Construction Adjustment at ACOD Floor	[●]	£ (real)	[●]
ORAC	Opex Reassessment Adjustment at Cap	[●]	£ (real)	[●]
ORAAF-Admin	Opex Reassessment Adjustment at Admin Floor	[●]	£ (real)	[●]
ORAAF	Opex Reassessment Adjustment at ACOD Floor	[●]	£ (real)	[●]

Decommissioning change in law adjustments (only if directed) should be a simple table by Relevant Year:

Relevant Year	**DCCt (Cap) £ real**	**DCFt (Floor) £ real**	**Effective Date**

[●]	[●]	[●]	[●]

2.7 **Inflation and Discounting**

Parameter	Description	Value	Units	Effective Date
CPIH Base period	12-month avg period used for CPIHBase	[●]	dates	[●]
Balance sheet ODR (if applicable)	ODR basis/value where not SONIA+margin	[●]	% nominal	[●]
ACOD Margin (if applicable)	Margin above SONIA	[●]	%	[●]

2.8 **Cost Estimates and Outturns**

Parameter	Description	Value	Units	Effective Date
P50 Cost	P50 scenario	[●]	£ (scope/price basis as defined)	[●]
P90 Cost	P90 scenario / Facility Cost Ceiling	[●]	£	[●]
PCR Cost Baseline	Determined at PCR (net of Excluded Costs)	[●]	£	[●]
Final Outturn Cost Baseline	If Part F reconciliation applied	[●]	£	[●]
FMPT	If any, as directed	[●]	£	[●]
AdjustedCost	Model input at PCR	[●]	£	[●]

2.9 **Availability**

Parameter	Description	Value	Units	Effective Date
Rated Export Capacity	At Boundary Point	[●]	MW	[●]
Rated Import Capacity	At Boundary Point	[●]	MW	[●]
Reference Capacity	For EAC calculation	[●]	MW	[●]

Minimum Duration	Minimum discharge duration	[●]	hours	[●]
MAT	Minimum Availability Target	[●]	%	[●]
Other Minimum Duration Requirements (if applicable)	Other minimum storage capacity as referenced in Schedule B Performance Test Protocol A. Special Condition 27Part Aa) above	[●]	MWh	[●]
Round Trip Efficiency	The efficiency as calculated using the exported energy as measured at the Boundary Point divided by the imported energy as measured at the boundary point for a complete discharge, charge cycle.	[●]	%	[●]

2.10 **MCC**

Parameter	Description	Value	Units	Effective Date
Applicable Procurement Threshold	SC22 threshold	[●]	£	[●]
Optimiser fee cap (y)	Cap as % of ORB	[●]	%	[●]
Optimiser fee cap (y_RP%)	Cap as % of ORB	[●]	%	[●]
ORB definition variant (if any)	Any facility-specific ORB direction	[●]	n/a	[●]
MCC parameters reference	If authority specifies fixed parameters	[●]	n/a	[●]

2.11 **NCC**

Parameter	Description	Value	Units	Effective Date
NCC categories (designated)	Any additional designated NCC items	[●]	n/a	[●]
NCC de minimis threshold	If facility-specific	[●]	£/year	[●]
NCC caps/collars (if any)	If directed	[●]	£ or %	[●]
TNUoS Pass-through Percentage	Percentage of TNUoS charges attributable to the Relevant LDES Facility treated as NCCt under SC10	[●]	%	[●]

2.12 **Decommissioning**

Parameter	Description	Value	Units	Effective Date
Allowed decommissioning cost (Regime share)	Used in modelling	[●]	£ real	[●]
Decommissioning Fund Profile reference	Table ID / annex reference	[●]	n/a	[●]
Fund return assumption (if directed)	For funding checks	[●]	%	[●]

2.13 **Backstop Delay Charge**

Parameter	**Description**	**Value**	**Units**	**Effective Date**
Backstop Delay Days	Days from day after Backstop to FCD	[●]	days	[●]
Backstop Delay Factor (BDF)	Factor amount determined	[●]	Factor	[●]

3 Determination Log

Determination / Direction reference	Date	Special Condition	Summary of what changed	Effective Date
[●]	[●]	SC9 / SC7 / SC8 / SC23 etc.	"Backstop extended by X days", "PCR Cost Baseline set", "BDC set", etc.	[●]