

Special Condition 3.21 Biomethane Distributed Entry Reinforcement use it or lose it allowance ($BDER_t$)

- 3.21.1 The purpose of this condition is to calculate the term $BDER_t$ (the Biomethane Distributed Entry Reinforcement use it or lose it allowance). This contributes to the calculation of the Totex Allowance.
- 3.21.2 The effect of this condition is to:
- (a) specify the allowance for $BDER_t$;
 - (b) provide for a Use It Or Lose It Adjustment; and
 - (c) require the licensee to comply with the Biomethane UIOLI Governance Document.
- 3.21.3 This condition also explains the process the Authority will follow when issuing or amending the Biomethane UIOLI Governance Document.

Part A: Formula for calculating the Biomethane Distributed Entry Reinforcement use it or lose it allowance term ($BDER_t$)

- 3.21.4 The value of $BDER_t$ is derived in accordance with the following formula:

$$BDER_t = BDERA_t - BDERR_t$$

where:

$BDERA_t$ means the allowances in Appendix 1 that relate to the licensee; and
 $BDERR_t$ has the value zero unless otherwise directed by the Authority in accordance with Part B.

Part B: Use It Or Lose It Adjustment

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

Part C: Biomethane UIOLI Governance Document

- 3.21.6 The licensee must comply with the Biomethane UIOLI Governance Document when incurring expenditure in relation to the allowance provided by this condition.
- 3.21.7 The Authority will issue and amend the Biomethane UIOLI Governance Document by direction.
- 3.21.8 The Authority will publish the Biomethane UIOLI Governance Document on the Authority's Website.
- 3.21.9 The Biomethane UIOLI Governance Document will make provision about the governance and administration of the Biomethane Distributed Entry Reinforcement use it or lose it allowance, including:
- (a) allowable Biomethane Distributed Entry Reinforcement use it or lose it

- expenditure and unrecoverable Biomethane Distributed Entry Reinforcement use it or lose it expenditure;
- (b) the eligibility criteria, which expenditure incurred in relation to the allowance provided by this condition must meet;
 - (c) the reporting obligations in respect of which expenditure incurred in relation to the Biomethane Distributed Entry Reinforcement allowance which the licensee must meet; and
 - (d) the cap level that each project must not exceed.
- 3.21.10 Before directing that the Biomethane UIOLI Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Biomethane UIOLI Governance Document;
 - (b) the date on which the Authority intends the Biomethane UIOLI Governance Document to come into effect; and
 - (c) a period during which representations may be made on the content of the Biomethane UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.21.11 Before directing an amendment to the Biomethane UIOLI Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the proposed amendments to the Biomethane UIOLI Governance Document;
 - (b) the date on which the Authority intends the amended Biomethane UIOLI Governance Document to come into effect;
 - (c) the reasons for the proposed amendments to the Biomethane UIOLI Governance Document; and
 - (d) a period during which representations may be made on the proposed amendments to the Biomethane UIOLI Governance Document, which will be up to 28 days unless the Authority determines that a longer period is appropriate.

Part D: Authority's direction process

- 3.21.12 Before making a direction under paragraph 3.21.5, the Authority will publish on the Authority's website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction; and
 - (c) a period during which representations may be made on the proposed direction, which will be up to 28 days unless the Authority determines that a longer period is appropriate.
- 3.21.13 The direction will set out the value of the BDER_t term and the Regulatory Years to which that adjustment relates.

Part E: Review by the Authority

- 3.21.14 In the Regulatory Year commencing on 1 April 2027, the Authority may review

the licensee's management of Biomethane, including the costs incurred by the licensee as part of this activity.

- 3.21.15 The review may also include, but not be limited to, review of the cap per Biomethane Connection, the total allowances in Appendix 1 and the review of the Biomethane UIOLI Governance Document. The Authority will discuss the scope and timescale for undertaking the review with the licensee.
- 3.21.16 Upon completion of the review, the Authority will set out any further steps which it considers appropriate in relation to the licensee's management of Biomethane, including modifications under section 23 of the Act.

Appendix 1

Biomethane use it or lose it allowance (£m)

	Distribution Network	Allowance (£m)
	EoE	20.00
	Lon	20.00
	NW	20.00
	WM	20.00
	NGN	20.00
	Sc	20.00
	Se	20.00
	WWU	20.00

<u>Distribution Network</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>2030/31</u>
<u>Cadent</u>	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>	<u>16.00</u>
<u>NGN</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>
<u>SGN</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>	<u>8.00</u>
<u>WWU</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>

