Schedule 3B – Reasons and effects of proposed modifications to the special conditions of the electricity interconnector licence held by Greenlink Interconnector Limited

Special Condition 1: Definitions and Interpretations

1.1 We are modifying this special condition is to update defined terms set out in paragraph 1.3, add one new defined term and remove one existing defined term from the special conditions.

1.2 The reasons for these changes are to reflect the relevant updates to GIL's licence due to the Greenlink project achieving key milestones between the Final Project Assessment (**FPA**) stage and the Post Construction Review (**PCR**) stage. Additionally, these licence modifications are being made to update the relevant legacy provisions and to reflect our minded-to positions at the PCR consultation stage.

1.3 The definition of the following terms will be modified:

a) "Floor Start Date" - to be specified in the modification, subject to the licensee competing its 60-day test.

b) "Full Commissioning Date" - to be specified in the modification, subject to the licensee competing its 60-day test.

c) "Interconnector Revenue" – to specify the proportion of revenues considered, which is 50%.

d) "Notional Floor Level" (**NFL**) - to reflect the licensee's decision to select the Actual Floor Level against which interconnector revenues will be compared against.

e) "Partial Year" – to specify that a Partial Year refers to the last Relevant Year of the Regime Duration.

f) "Preliminary Actual Floor Level" (**PAFL**) - to be specified in the modification, subject to our minded-to position on the licensee's Post Construction Review (**PCR**) submission.

g) "Preliminary Cap Level" (**PCL**) - to be specified in the modification, subject to our minded-to position on the licensee's PCR submission.

h) "Preliminary Notional Floor Level" (**PNFL**) - to be specified in the modification, subject to our minded-to position on the licensee's PCR submission.

i) "Rated Capacity" – to provide further clarity on the location of the term in the license

j) "Regime Start Date" – to be specified in the modification, subject to the licensee competing its 60-day test.

k) "Relevant Year" - to specify that a Relevant Year refers to each and any complete calendar year (means a period of 12 months beginning on 1 January and ending on 31 December each year).

1.4 The following defined term will be removed:

a) "Financial Year" – to reflect our minded-to position to change from financial years to calendar years for the licensee.

1.5 The following defined term will be added:

a) "GB ISOP" – to update legacy reference to GB System Operator. This change will have an effect across the licence.

1.6 The effect of these modifications are to update the existing defined terms listed in paragraph 1.2 (a) to (k), remove the defined term stated in paragraph 1.4 (a) and to add the defined term stated in paragraph 1.5 (a). Moreover, the effect of the licence modifications are to ensure that the licence remains updated and provides the relevant details on the regulatory framework for GIL throughout its Regime Duration.

Special Condition 2: Cap Level and Floor Level

1.7 The reason for modifying this special condition is to specify the price base, as per our minded-to position to change from "2020/21" to "2020" in part D (calculation of the Opex Reassessment Adjustment terms) and part F (calculation of the Retail Price Index term).

1.8 The effect of this modification is to update parts D and F, such that it accurately reflects the change from a financial year basis to a calendar year basis.

Special Condition 3: Cap and Floor Assessment

1.9 The reason for modifying this special condition is to change in the time period from financial to calendar year in Part J.

1.10 The effect of this modification is to update Part J, such that it accurately reflects the bounds of a Relevant Year.

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Special Condition 4: Interconnector Availability Incentive

1.11 The reason for modifying this special condition is to remove references to the FPA decision and specify the "Availability Target" for the licensee in Part B.

1.12 The effect of this modification is to ensure that the appropriate Availability Target is utilised in the calculation in Part B. Moreover, it serves to provide clarity by stating the target explicitly.

Special Condition 5: Assessed Revenue

1.13 The reason for modifying this special condition is to amend the "Gross Revenue" (**GR**) by removing the multiplication by 50% to clarify that the 50% should be applied to "Market Related Costs" (**MRC**) formula only, as opposed to the full GR equation. For the GR term, this amendment is linked to the change made to the "Interconnector Revenue" term where the proportion of revenue is specified in the proposed modification in special condition 1 (Definitions and Interpretations).

1.14 The effect of this modification is to ensure that the GR and MRC terms are calculated correctly.

Special Condition 7: Non-Controllable Costs

1.15 The reason for modifying this special condition is to include a reference to the defined term "Greenlink Cap and Floor Financial Model 2 (GCFFM2)" to part E.

1.16 The effect of this modification is to ensure that the licence correctly refers to the defined term "Greenlink Cap and Floor Financial Model 2 (GCFFM2)" in part E over the Regime Duration.

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

1.17 The reason for modifying this special condition is to add a reference to the defined term "Greenlink Cap and Floor Financial Model 1 (GCFFM1)" and to set out the regulatory processes as agreed (see 1.18 to 1.28 of the consultation document) for calculating the Actual Floor Level . This includes:

a) specifying the components of the Actual Floor Level and its calculation;

b) specifying the maximum debt service cover ratio and gearing ratio; and

c) specifying the conditions GIL must follow when the Actual Floor Level is higher than the Notional Floor Level.

1.18 The effect of these modifications are to ensure that the licence condition correctly refers to the defined term "Greenlink Cap and Floor Financial Model 1 (GCFFM1)". Additionally, the effect of these modifications are to ensure that the content of the statement on regulatory processes, summarised in (a) to (c) above is captured in the licence. This will have the effect of ensuring that Greenlink's Actual Floor Level will be treated in line with the parameters agreed at Financial Close.

Special Condition 9: Process for determining the value of the Opex Reassessment Adjustment terms

1.19 The reason for modifying this special condition is to add a reference to the defined term "Greenlink Cap and Floor Financial Model 2 (GCFFM2)" and to remove the words "Operating Costs" and replace it with "Opex Reassessment Adjustment (ORA) terms".

1.20 The effect of this modification is to ensure that the licence condition correctly refers to the defined term "Greenlink Cap and Floor Financial Model 2 (GCFFM2)" and the appropriate terms for the operating cost reassessment across the operational period.

Special Condition 11: Greenlink Cap And Floor Financial Model Governance

1.21 The reason for modifying this special condition is to add the "Authority's Website" as a defined term in part D.

1.22 The effect of this modification is to ensure that the licence condition correctly provides details of the Authority's Website in part D where any relevant publications can be viewed.