

## Schedule A

### Special Licence Condition C8B: NTS transportation owner activity revenue restriction

#### Paragraph 3(b)(i) - NTS transportation owner cost pass-through adjustment $TOF_t$

- (i) For the purposes of paragraph 3(a) of this condition, the NTS TO cost pass-through adjustment term in respect of formula year t ( $TOF_t$ ) shall be calculated in the following manner:

$$TOF_t = Rate_t + L_t + NTSPDC_t + DNPDC_t + IS_t + HISC_t + OPTC_t$$

where:

$Rate_t$  means the revenue adjustment term in the formula year t in respect of non domestic rates and shall, subject to subparagraphs (ii) and (iii), be calculated in accordance with the following formula:

$$Rate_t = NDRP_t - NDRA_t$$

where:

$NDRP_t$  means the NTS prescribed rates and shall take a value of 39.40 % in respect of the prescribed rates or equivalent tax or duty replacing them levied on the licensee in respect of its NTS transportation owner activity and the Distribution Network transportation activity in respect of formula year t; and

$NDRA_t$  means the NTS prescribed rates allowance that has been allowed for in setting  $TOZ_t$  and shall be calculated as follows:

$$NDRA_t = TORB_t \times PIT_t$$

where:

TORB<sub>t</sub> shall in each formula year t take the value £71,100,000 (in 2004/05 prices); and

PIT<sub>t</sub> is the price indexation adjustment term, which shall be calculated in accordance with paragraph 3(a) of this condition.

L<sub>t</sub> means the revenue adjustment term in the formula year t in respect of licence fee payments and shall be calculated in accordance with the following formula:

$$L_t = LP_t - LA_t$$

where:

LP<sub>t</sub> means payments made by the licensee in respect of the NTS TO activity under Standard Condition 3 (Payments by the Licensee to the Authority) in respect of formula year t; and

LA<sub>t</sub> means the licence fee payments that have been allowed for in setting TOZ<sub>t</sub> and shall be calculated as follows:

$$LA_t = TOLA_t \times \square PIT_t$$

where:

TOLA<sub>t</sub> shall take the value, which is in 2004/05 prices, set against the formula year t in the following table:

Formula year commencing 1 April	2007	2008	2009	2010	2011
TOLA <sub>t</sub>	£7,800,000	£7,600,000	£7,500,000	£7,300,000	£7,300,000

NTSPDC<sub>t</sub> means the revenue adjustment term in respect of pension deficit costs associated with non-active scheme members at 1 May 2005 attributable to the NTS in respect of formula year t and shall take the value £2,500,000.

DNPDC<sub>t</sub> means the revenue adjustment term in respect of pension deficit costs associated with non-active scheme members at 1 May 2005 attributable to all DN operators in respect of formula year t and shall take the value £26,530,000.

IS<sub>t</sub> means an amount in respect of the recovery of costs incurred in respect of arrangements associated with the conveyance of gas to independent systems and identified in paragraph 6 of Special Condition C26 (Gas Conveyed to Independent Systems) in respect of any formula year commencing on or after 1 April 2008.

HISC<sub>t</sub> means the amount in respect of the recovery of costs incurred in respect of arrangements associated with the conveyance to independent systems in respect of the formula years commencing 1 April 2005, 1 April 2006 and 1 April 2007, and in the formula year commencing 1 April 2007 shall take a value as agreed in writing by the Authority and in each subsequent formula year shall take the value zero; and

OPTC<sub>t</sub> means an amount equal to such costs incurred by the licensee as the Authority may determine shall be treated as pass through costs related to additional security measures required by government in formula year t.