

**Appendix 1 to the Authority's Notice dated 24 July 2013**  
**Proposed modifications to the Special Conditions of gas transporter licences to provide for adjustments to the NTS Exit Capacity cost allowance and Shrinkage allowance Paragraph reference**

1D.3

Replace definition of AEx<sub>t-2</sub> with "means the NTS exit capacity cost allowance in respect of the relevant Distribution Network for Formula Year t-2 and is derived in accordance with Part D of this condition."

[Comment: See definition in SSC A3]

- Deleted: E
- Deleted: C
- Deleted: .

1D, Parts D and E

Insert new Parts D and E with the following text:

**Part D: Revisions to the NTS exit capacity cost allowance (AEx)**

1D.8 The opening value of the NTS exit capacity cost allowance for each year of the Price Control Period is set out in Appendix 1 of this condition. This value may be revised during the Price Control Period.

1D.9 The Licensee may, by notice to the Authority, propose a revision to the NTS exit capacity cost allowance for any Formula Year or Formula Years commencing on 1 April 2015 to 1 April 2020. In any Formula Year t, when a revision of the NTS exit capacity cost allowance is to take effect, the Licensee must have provided such notice in Formula Year t-2.

1D.10 A notice provided under paragraph 1D.9 of this condition must:

(a) be provided by 31 July in any Formula Year;

(b) state the revised NTS exit capacity cost allowance for the relevant Distribution Network that is proposed and the Formula Years to which the revision relates; and

(c) subject to paragraph 1D.11, provide the basis of calculation for the revised NTS exit capacity cost allowance.

1D.11 The revised NTS exit capacity cost allowance must be calculated by multiplying:

(a) the target volume of NTS Exit (Flat) Capacity at each offtake for the relevant Formula Years, as set out in Appendix 2 of this condition; and

- Deleted: E
- Deleted: C
- Deleted: E
- Deleted: C
- Deleted: C
- Deleted: c
- Deleted: E
- Deleted: C
- Deleted: from 2015/16 to 2020/21
- Deleted: E
- Deleted: C
- Deleted: E
- Deleted: C
- Deleted: E
- Deleted: C
- Deleted: E
- Deleted: C

(b) the latest publicly available forecast of the NTS (TO) Exit Capacity Charge at each offtake for the relevant Formula Years, as set out in an NTS Gas Transportation Statement.

Deleted: al

Deleted: ¶

#### **Part E: Determination and direction of revisions to the PCFM Variable Value**

1D.12 This Part provides for the determination and direction of a revised PCFM Variable Value for the relevant Distribution Network by the Authority for NTS ~~exit capacity~~ cost allowance (AEx values).

Deleted: E

Deleted: C

1D.13 The Authority will determine whether the PCFM Variable Value should be revised for the purposes of updating the forecast of NTS ~~exit capacity~~ costs under the provisions of Part D of this condition.

Deleted: E

Deleted: C

1D.14 Determinations under paragraph 1D.13 of this condition are to be made in accordance with the methodology contained in chapter 11 of the GD1 Price Control Financial Handbook.

1D.15 Subject to paragraph 1D.18 of this condition, a revised PCFM Variable Value determined by the Authority in accordance with the provisions of this condition will be directed by the Authority by 30 November following receipt of the notice provided by the Licensee under paragraph 1D.9 of this condition (or as soon as reasonably practicable thereafter). Any direction to revise AEx values for Formula Year t will be made in Formula Year t-2 (or as soon as reasonably practicable thereafter).

1D.16 Before issuing any directions under paragraph 1D.15 of this condition, the Authority will give notice to the Licensee of the revised values that it proposes to direct.

1D.17 The notice referred to in paragraph 1D.16 of this condition will:

(a) state that the revised PCFM Variable Value has been determined in accordance with this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised PCFM Variable Values.

1D.18 The Authority will determine the revised PCFM Variable Values having due regard to any representations duly received under paragraph 1D.17 of this condition, and give reasons for its decisions in relation to them.

1D.19 If, for any reason, the Authority does not make a direction required under paragraph 1D.15 of this condition by the date specified in that paragraph, the Authority will direct the values concerned as soon as is reasonably practicable thereafter, consistent with the purpose of paragraph 2B.12 of Special Condition

2B [\(Annual Iteration Process for the GD1 Price Control Financial Model\)](#) and, in any case, before directing a value for MOD<sub>t</sub> for the relevant Distribution Network under that paragraph.

1D.20 The application of the mechanisms set out in this condition means that as a consequence of the Annual Iteration Process, the value of the term MOD<sub>t</sub> as calculated for Formula Year t for the purpose of Special Condition 1B will result in an adjustment to the relevant Distribution Network's Base Distribution Network Transportation Activity Revenue in a manner that appropriately reflects the relevant Distribution Network's updated forecast of NTS ~~exit~~ capacity costs.

Deleted: E

Deleted: C

1D, Appendix 1

Replace "1D.3" with "1D.8".

1F.4

Replace the definition of "ALSC<sub>t-2</sub>" with "means the amount of the allowance in respect of the Shrinkage cost in Formula Year t-2 for the relevant Distribution Network and is derived in accordance with Part H of this condition;"

1F, Parts H and I

Insert new Parts H and I with the following text:

**Part H: Revisions to the allowance in respect of Shrinkage costs (ALSC)**

1F.37 The opening value of the allowance in respect of Shrinkage costs for each year of the Price Control Period is set out in Appendix 1 of this condition. This value may be revised during the Price Control Period.

Deleted: c

1F.38 The Licensee may, by notice to the Authority, propose a revision to the allowance in respect of Shrinkage costs for any Formula Year or Formula Years [commencing on 1 April 2015 to 1 April 2020](#). In any Formula Year t, when a revision of the allowance in respect of Shrinkage costs is to take effect, the Licensee must have provided such notice in Formula Year t-2.

Deleted: from 2015/16 to 2020/21

1F.39 A notice provided under paragraph 1F.38 of this condition must:

(a) be provided by 31 July in any Formula Year;

(b) state the revised allowance in respect of Shrinkage costs for the relevant Distribution Network that is proposed and the Formula Years to which the revision relates; and

(c) subject to paragraph 1F.40, provide the basis of calculation for the revised allowance in respect of ~~Shrinkage~~ costs.

Deleted: s

1F.40 The revised allowance in respect of Shrinkage costs must be calculated by multiplying:

(a) the allowed Shrinkage volume for the relevant Formula Years, as set out in Appendix 2 of this condition; and

(b) the latest publicly available forecast of the price of gas for the relevant Formula Years taken from an Approved Market Price Report.

Deleted: al

### **Part I: Determination and direction of revisions to the PCFM Variable Value**

1F.41 This Part provides for the determination and direction of a revised PCFM Variable Value for the relevant Distribution Network by the Authority for the allowance in respect of Shrinkage costs (ALSC values).

1F.42 The Authority will determine whether the PCFM Variable Value should be revised for the purposes of updating the forecast of Shrinkage costs under the provisions of Part H this condition.

1F.43 Determinations under paragraph 1F.42 of this condition are to be made in accordance with the methodology contained in chapter 11 of the GD1 Price Control Financial Handbook.

1F.44 Subject to paragraph 1F.47 of this condition, a revised PCFM Variable Value determined by the Authority in accordance with the provisions of this condition will be directed by the Authority by 30 November following receipt of the notice provided by the Licensee [under paragraph 1F.38 of this condition](#) (or as soon as reasonably practicable thereafter). Any direction to revise ALSC values for Formula Year t will be made in Formula Year t-2 (or as soon as reasonably practicable thereafter).

1F.45 Before issuing any directions under paragraph 1F.44 of this condition, the Authority will give notice to the Licensee of the revised values that it proposes to direct.

1F.46 The notice referred to in paragraph 1F.45 of this condition will:

(a) state that the revised PCFM Variable Value has been determined in accordance with this condition; and

(b) specify the period (which will not be less than 14 days from the date of the notice) within which the Licensee may make any representations concerning the determination of any revised PCFM Variable Values.

1F.47 The Authority will determine the revised PCFM Variable Values having due regard to any representations

duly received under paragraph 1F.46 of this condition, and give reasons for its decisions in relation to them.

1F.48 If, for any reason, the Authority does not make a direction required under paragraph 1F.44 of this condition by the date specified in that paragraph, the Authority will direct the values concerned as soon as is reasonably practicable thereafter, consistent with the purpose of paragraph 2B.12 of Special Condition 2B ([Annual Iteration Process for the GD1 Price Control Financial Model](#)) and, in any case, before directing a value for  $MOD_t$  for the relevant Distribution Network under that paragraph.

1F.49 The application of the mechanisms set out in this condition means that as a consequence of the Annual Iteration Process, the value of the term  $MOD_t$  as calculated for Formula Year  $t$  for the purpose of Special Condition 1B will result in an adjustment to the relevant Distribution Network's Base Distribution Network Transportation Activity Revenue in a manner that appropriately reflects the relevant Distribution Network's updated forecast of Shrinkage costs.

**Appendix 3 to the Authority's Notice dated 24 July 2013**  
**Proposed modifications to the special conditions of gas transporter licences to make consequential changes and corrections**

1E.4

Replace "formula and will not exceed the value of one per cent of  $BR_t$  or be lower than the value of negative one per cent of  $BR_t$ " with "formulae".

Replace the formula:

with the formulae:

, then:

, then:

After the definition of " $I_t$ " insert the definition of " $BR_{t-2}$ " as "means the amount of Base Distribution Network Transportation Activity Revenue for Formula Year t-2 as derived in accordance with the formula set out in Part C of Special Condition 1B for the relevant Distribution Network."

Deleted: in