

Schedule 1A – New proposed special conditions for the electricity interconnector licence held by National Grid IFA2 Limited

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Special Condition 1: Definitions and Interpretation

1. This condition sets out particular defined words and expressions that are used in the special conditions and gives their meaning.
2. However:
 - (a) where words and expressions are used in only one special condition, their definitions are set out in that condition; and
 - (b) where words and expressions used in the special conditions are defined in the standard conditions, they have the same meaning in the special conditions as given to them in the standard conditions, unless the context otherwise requires.
3. All defined words and expressions used in the special conditions have initial capital letters, including those defined in the standard conditions where they are written with lower case.
4. Any reference in these special conditions to:
 - (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity transmission licences;
 - (c) a provision of the standard conditions of electricity interconnector licences,shall, if these or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the standard conditions in question as modified.

Definitions in alphabetical order

5. In these special conditions unless the context otherwise requires:

“Allowed Outage”	means an Interconnector Outage (in MWh) that: <ol style="list-style-type: none">(a) was caused by the de-energisation (whether partial or whole), disconnection or curtailment or reductions in capacity of the licensee’s Interconnector by the GB System Operator or the French System Operator or any other entity as may be determined by the Authority; and(b) is specified in writing by the Authority as being an Allowed Outage
“Annual Cap and Floor RIGs Submission”	means the submission by the licensee, on an annual basis, as specified in the Cap and Floor RIGs, of information that it is required to collect and provide to the Authority under standard condition 25 (Cap and Floor Regulatory Instructions and Guidance) of this licence

“Assessed Revenue”	means revenue earned by the licensee’s Interconnector for Relevant Year t and calculated in accordance with Part A of special condition 5 (Assessed Revenue) of this licence
“Availability Incentive Adjustment At Cap” (AIC _t)	means the adjustment to the Cap Level determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this licence
“Availability Incentive Adjustment At Floor” (AIF _t)	means the adjustment to the Floor Level determined in accordance with Part C of special condition 4 of this licence
“Cap Level”(CL _t)	means the level of Assessed Revenue for any Relevant Year that: <ul style="list-style-type: none"> (a) is determined in accordance with the formula in paragraph 4(a) of special condition 2 (Cap Level and Floor Level) of this licence; and (b) above which, at the end of each Relevant Assessment Period, the difference between the Cap Level and the Assessed Revenue is paid to the GB System Operator
“Cap Start Date”	means the Regime Start Date or such earlier date as may be specified in writing by the Authority
<u>“CHAW”</u>	<u>means a retail price index (RPI) as defined by the Office of National Statistics</u>
“End Of Period Cap And Floor Revenue Adjustment” (CFA _{ap})	means the licensee’s Interconnector Revenue adjustment component calculated in accordance with paragraph 4 of special condition 3 (Cap and Floor Assessment) of this licence
“Exceptional Event”	means: <ul style="list-style-type: none"> (a) an event or circumstance that results in or causes the Actual Availability of the licensee’s Interconnector to fall below the Minimum Availability Target in any Relevant Year; and (b) in the Authority’s opinion, the event or circumstance: <ul style="list-style-type: none"> i. constitutes a Force Majeure event under the special conditions of this licence; ii. has been appropriately mitigated and managed by the licensee including responding to the event in line with Good Industry Practice; and

the Authority is satisfied that the licensee has met the

	requirements of Part A of special condition 4 of this licence
“First Year of Operation”	iii. means a full calendar year starting on the Full Commissioning Date and ending a full calendar year later
“Floor Level”(FL _t)	means the level of Assessed Revenue for any Relevant Year that: <ul style="list-style-type: none"> (a) is determined in accordance with the formula in paragraph 4(b) of special condition 2 of this licence; and (b) below which level the licensee is eligible for a top up of Assessed Revenue from the GB System Operator
“Floor Start Date”	means the Full Commissioning Date or such earlier date as may be specified in writing by the Authority
“Force Majeure”	means an 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 lack of funds of the licensee or performance or non-performance by an electricity transmission licensee or equivalent entity shall not be interpreted as a cause beyond the reasonable control of the licensee and provided that weather and ground conditions which are reasonably to be expected at the location of the event or circumstance are also excluded as not being beyond the reasonable control of the licensee
<u>“French Transmission System Operator”</u>	<u>Means the operator of the high voltage electricity transmission system in France</u>
“Full Commissioning Date”	means the date on which the licensee’s Interconnector is deemed to be fully commissioned in accordance with the criteria set out in paragraph 7 of special condition 2 of this 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
“Interconnector	means the 50% share of all sources of revenue derived by the licensee’s Interconnector, for Relevant Year <i>t</i> , from

Revenue”	participating in the operation of the licensee’s Interconnector
“Minimum Availability Target”	means the minimum amount of availability that is required over the licensee’s Interconnector in any Relevant Year, and has the value 8,467,079 megawatt hours (MWh), subject to adjustments to account for Partial Years in accordance with Part F of special condition 4 of this licence
“Opex Reassessment”	means the process for determining the value of the Opex Reassessment Adjustment terms set out in special condition 9 (Process for determining the value of the Opex Reassessment Adjustment terms)
“Opex Reassessment Adjustment”(ORA)	means the adjustments to the Cap Level and Floor Level following determination by the Authority in accordance with Part D of special condition 2 of this licence
“Partial Years”	means the first Relevant Year or the last Relevant Year of the Regime Duration
“Preliminary Cap Level” (PCL)	means the value specified in paragraph 12(a) of special condition 2 of this licence (£50.70 million per year, expressed in real 2016/17 Sterling prices)
“Preliminary Floor Level” (PFL)	means the value specified in paragraph 12(b) of special condition 2 of this licence (£27.57 million per year, expressed in real 2016/17 Sterling prices)
“Post Construction Adjustment” (PCA)	means the adjustments to the Cap Level and Floor Level following a determination by the Authority in accordance with Part C of special condition 2 of this licence
“Post Construction Review”	means the process for determining the value of the Post Construction Adjustment terms set out in special condition 8 (Process for determining the value of the Post Construction Adjustment terms)
“Rated Capacity”	means the maximum of the licensee’s Interconnector Capacity and is equal to 1,000 megawatts (MW)
“Regime Duration”	means a period of 25 Relevant Years commencing on the Regime Start Date
“Regime Start Date”	<u>Means the earlier of the Full Commissioning Date and 1st January 2021</u>
“Relevant Assessment Period”	means any of the Relevant Assessment Periods specified in Part J of special condition 3 of this licence
“Relevant Assessment Period <i>ap</i> ”	means that Relevant Assessment Period for the purposes of which any calculation falls to be made

“Relevant Partial Assessment Period”

means a period that:

- (a) commences on the first day of the first Relevant Year of the Relevant Assessment Period;
- (b) is comprised of whole Relevant Year(s) only; and runs for whole consecutive years up to and including, but not exceeding, the fourth Relevant Year of a Relevant Assessment Period

“Relevant Partial Assessment Period *pap*”

means that Relevant Partial Assessment Period for the purposes of which any calculation falls to be made

“Relevant Year”

means:

- (a) in all Relevant Years except for the first Relevant Year and the last Relevant Year of the Regime Duration, a financial year - a period of 12 months beginning on 1 April of each year and ending on 31 March of the following calendar year; and

in the first Relevant Year and the last Relevant Year of the Regime Duration, a different period of time as specified in Part J of special condition 3 of this licence

“Relevant Year *t*”

- (b) means that Relevant Year for the purposes of which any calculation falls to be made

“Within Period Adjustment”

means the Interconnector Revenue adjustment determined by the Authority in accordance with special condition 6 of this licence.

Special Condition 2: Cap Level and Floor Level

1. The purpose of this condition is to calculate the value of the Cap Level term and the Floor Level term, against which the licensee's Assessed Revenue is assessed, in accordance with special condition 3 (Cap and Floor Assessment), at the end of each of Relevant Assessment Period of the Regime Duration.
2. This condition also provides for the calculation of various adjustments to the Cap Level and Floor Level.

Structure of this condition

3. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation and entry into force of the Cap Level term (CL_t) and Floor Level term (FL_t);
 - (b) Part B of this condition sets out the Preliminary Cap Level (PCL) and Preliminary Floor Level (PFL);
 - (c) Part C of this condition sets out the calculation of the Post Construction Adjustment At Cap term (PCAC) and the Post Construction Adjustment At Floor term (PCAF);
 - (d) Part D of this conditions sets out the calculation of the Opex Reassessment Adjustment At Cap term (ORAC) and the Opex Reassessment Adjustment At Floor term (ORAF);
 - (e) Part E of this condition sets out the calculation of the Availability Incentive Adjustment At Cap term (AIC_t) and the Availability Incentive Adjustment At Floor term (AIF_t);
 - (f) Part F of this condition sets out the calculation of the Retail Price Index term (RPI_t); and
 - (g) Part G sets out the calculation of the Partial Year Cap Adjustment Factor term (PYC_t) and the Partial Year Floor Adjustment Factor term (PYF_t).

Part A: Calculation and entry into force of the Cap Level term (CL_t) and Floor Level term (FL_t)

4. The Cap Level and Floor Level for any Relevant Year are calculated in accordance with the following formulae:
 - (a) $CL_t = PYC_t \times (PCL + PCAC + ORAC) \times AIC_t \times RPI_t$
 - (b) $FL_t = PYF_t \times (PFL + PCAF + ORAF) \times AIF_t \times RPI_t$

Where:

AIC_t	means the Availability Incentive Adjustment At Cap term for Relevant Year t and is determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this
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	licence and shall have a value in the range specified in paragraph 17 of this condition
AIF _t	means the Availability Incentive Adjustment At Floor term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 4 of this licence and shall have a value specified in paragraph 18 of this condition
CL _t	means the Cap Level for Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(a) of this condition except where the Authority has issued a direction under paragraph 33 of special condition 7 (Non-Controllable Costs) of this licence, in which case it shall be calculated in accordance with paragraph 36(a) of special condition 7 of this licence
FL _t	means the Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(b) of this condition except where the Authority has issued a direction under paragraph 33 of special condition 7, in which case it shall be calculated in accordance with paragraph 36(b) of special condition 7 of this licence
PCAC	means the Post Construction Adjustment At Cap term and is determined in accordance with Part C of this condition
PCAF	means the Post Construction Adjustment At Floor term and is determined in accordance with Part C of this condition
PCL	means the Preliminary Cap Level specified in paragraph 12(a) of this condition
PFL	means the Preliminary Floor Level specified in paragraph 12(b) of this condition
RPI _t	means the Retail Price Index term (CHAW) for Relevant Year <i>t</i> and is calculated in accordance with Part F of this condition
PYC _t	means the Partial Year Cap Adjustment Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part G of this condition
PYF _t	means the Partial Year Floor Adjustment Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part G of this condition
ORAC	means the Opex Reassessment Adjustment At Cap term and is determined in accordance with Part D of this condition
ORAF	means the Opex Reassessment Adjustment At Floor term and is determined in accordance with Part D of this condition

5. The derived levels shall come into force as follows:

- (a) The Cap Level shall come in force on the Cap Start Date which shall be the Regime Start Date or such earlier date as may be specified in writing by the Authority; and
- (b) The Floor Level shall come into force on the Floor Start Date which shall be the Full Commissioning Date or such earlier date as may be specified in writing by the Authority; and

shall, subject to any adjustments specified in this condition and Part E (Determination of the Decommissioning Cost Adjustment term) of special condition 7 of this licence, remain fixed for the Regime Duration.

- 6. For the avoidance of doubt, the Floor Start Date shall not precede the Regime Start Date.
- 7. For the purposes of paragraph 5 of this condition, the Full Commissioning Date means the date:
 - (a) that falls after the successful completion of such procedures and tests in relation to the licensee's Interconnector that are in accordance with, at the time they are undertaken, Good Industry Practice for commissioning that type of interconnector in order to demonstrate that the licensee's Interconnector is available for the use of conveyance of electricity at the Rated Capacity; and
 - (b) that falls before the successful completion of 60 days of continuous operation (with licensee's Interconnector technically available at the Rated Capacity) of the licensee's Interconnector provided that:
 - i. the period of time in which the events or circumstances specified in paragraph 8(a) to 8(c) of this condition shall be discounted subject to Authority direction in accordance with paragraph 11 of this condition; and
 - ii. should the licensee consider that any of the events or circumstances specified in paragraph 8(a) to 8(c) have occurred, the licensee provides sufficient information to the Authority to demonstrate this.
- 8. The events or circumstances referred to in paragraph 7 of this condition are as follows:
 - (a) de minimis periods of one hour or less of non-operation of the licensee's Interconnector that do not indicate an on-going construction defect with the licensee's Interconnector;
 - (b) Trial Operation Exceptional Event or Allowed Outage; and
 - (c) non-operation of the licensee's Interconnector as a result of insufficient price differential making electricity flow commercially non-viable.
- 9. For the purposes of paragraph 8 of this condition, the Trial Operation Exceptional Event means an event or circumstance that, in the Authority's opinion:
 - (a) constitutes a Force Majeure event under the special conditions of this licence;
 - (b) has been appropriately mitigated and managed by the licensee including responding to the event in line with Good Industry Practice; and

- (c) allows it to be satisfied that the licensee has met the requirements of Part A of special condition 4 of this licence.
10. For the purposes of paragraph 7(b)(i) of this condition, “shall be discounted” shall have the following meaning: the 60 days continuous operation shall be paused on the date and time of the start of the event or circumstance and shall resume on the date and time that normal operation recommences.
11. Unless the Authority has already specified an earlier Floor Start Date under paragraph 5(b) of this condition, the Authority shall, at the request of the licensee:
- (a) confirm whether or not it considers the criteria specified in paragraph 7 of this condition have been satisfied; and
 - (b) if so, direct the date on which the Full Commissioning Date falls (such date being also the Floor Start Date).

Part B: Preliminary Cap Level and Preliminary Floor Level

12. The Preliminary Cap Level and Preliminary Floor Level set by the Authority for the licensee’s Interconnector are as follows:
- (a) the Preliminary Cap Level is set to £50.70 million per year, expressed in real 2016/17 Sterling prices; and
 - (b) the Preliminary Floor Level is set to £27.57 million per year, expressed in real 2016/17 Sterling prices.

Part C: Calculation of the Post Construction Adjustment At Cap term and Post Construction Adjustment at Floor term (PCAC and PCAF)

13. The value of the PCAC term and the value of the PCAF term:
- (a) shall be determined by the Authority in accordance with the process set out in special condition 8 (Process for determining the value of the Post Construction Adjustment terms);
 - (b) shall represent the difference between sub-paragraphs (a) and (b) of paragraph 14 of this condition;
 - (c) shall be expressed in real 2016/17 Sterling prices; and
 - (d) shall, from the date on which the PCAC and PCAF terms take effect, remain fixed for the remainder of the Regime Duration; or
 - (e) unless and until such determination under paragraphs 13(a) to 13(d) of this condition is made, shall have the value zero.
14. For the purposes of paragraph 13(a) to 13(d) of this condition, the Authority shall determine a value that represents the difference between:
- (a) the Authority’s estimate, assumed in the Preliminary Cap Level and Preliminary Floor Level, of the costs associated with developing, constructing, operating, maintaining and decommissioning of the licensee’s Interconnector; and
 - (b) the Authority’s assessment, at the Post Construction Review stage, of the economic and efficient costs associated with developing, constructing, operating,

maintaining and decommissioning of the licensee's Interconnector.

Part D: Calculation of the Opex Reassessment Adjustment At Cap term and Opex Reassessment Adjustment At Floor term (ORAC and ORAF)

15. The value the ORAC term and the value of the ORAF term:
- (a) shall be determined by the Authority in accordance with the process set out in special condition 9 (Process for determining the value of the Opex Reassessment Adjustment terms);
 - (b) shall represent the difference between sub-paragraphs (a) and (b) of paragraph 16 of this condition;
 - (c) shall be expressed in real 2016/17 Sterling prices; and
 - (d) shall, from the date on which the ORAC and ORAF terms take effect, remain fixed for the remainder of the Regime Duration; or
 - (e) in the absence of a determination under paragraphs 15(a) to 15(d) of this condition, shall have the value zero.
16. For the purposes of paragraphs 15(a) to 15(d) of this condition, the Authority shall determine a value that represents the difference between:
- (a) the Authority's assessment, at the Post Construction Review stage, of the economic and efficient costs associated with operating and maintaining the licensee's Interconnector; and
 - (b) the Authority's reassessment, at the Opex Reassessment stage, of the economic and efficient costs associated with operating and maintaining the licensee's Interconnector.

Part E: Calculation of the Availability Incentive Adjustment At Cap term (AIC_t) and Availability Incentive Adjustment At Floor term (AIF_t)

17. The value of the AIC_t term is determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value between 0.98 and 1.02.
18. The value of the AIF_t term is determined in accordance with Part C of special condition 4 of this licence and shall have a value of either zero or 1.00.

Part F: Calculation of the Retail Price Index term (RPI_t)

19. The RPI_t term is calculated in accordance with the following:

$$RPI_t = \frac{\text{UK RPI index}_t}{\text{UK RPI index}_{2016/2017}}$$

UK RPI index _t	means: (a) for the first Relevant Year of the Regime Duration, with respect to each of the total months in the period as, defined in paragraph
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	<p>20(a) of special condition 3 of this licence, the arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100;</p> <p>(b) for the last Relevant Year of the Regime Duration, with respect to each of the total months in the period, as defined in paragraph 20(b) of special condition 3 of this licence, the arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100; or</p> <p>(c) for all other Relevant Years over the Regime Duration, with respect to each of the 12 months in Relevant Year t, the 12 month arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100</p>
UK RPI index 2016/17	means, with respect to each of the 12 months from 1 April 2016 to 31 March 2017, the 12 month arithmetic average of the monthly index number of retail prices, as identified by the Office of National Statistics in the CHAW series, where the index on 13 January 1987 equals 100, and has the value of 264.99

Part G: Calculation of the Partial Year Cap Adjustment Factor term and Partial Year Floor Adjustment Factor term (PYC_t and PYF_t)

20. The PYC_t term and PYF_t term adjust the Cap Level and Floor Level to account for Partial Years in respect of the first and last Relevant Year of the Regime Duration.

21. The PYC_t shall

(a) take the value 1 in all Relevant Years, except:

- i. in respect of the period before the Regime Start Date, where the PYC_t term shall take the value zero.
- ii. in respect of the first Relevant Year of the Regime Duration (in which the Cap Level term comes into force under paragraph 5(a) of this condition), where the value of the PYC_{t1} term shall be calculated in accordance with the following formula:

$$PYC_{t1} = \frac{NDC}{365.25}$$

- iii. in respect of the last Relevant Year of the Regime Duration, where the value of the PYC_{t25} term shall be calculated in accordance with the following formula:

$$PYC_{t25} = 1 + \frac{365.25 - NDC}{365.25}$$

- (b) in all Relevant Years subsequent to the last Relevant Year of the Regime Duration, where the PYC_t term shall take the value zero.

22. The PYF_t shall

- (a) take the value 1 in all Relevant Years, except:
- i. in respect of the period before the Floor Level comes into force, where the PYF_t term shall take the value zero.
 - ii. in respect of the first Relevant Year of the Regime Duration, in which the Floor Level term comes into force under paragraph 5(b) of this condition, and in which the value of the PYF_{t1} term shall be calculated in accordance with the following formula:

$$PYF_{t1} = \frac{NDF}{365.25}$$

- iii. in respect of the last Relevant Year of the Regime Duration and subject to the Floor Level being in force under paragraph 5(b) of this condition, where the value of the PYF_{t25} term shall be equal to the value of the PYC_{t25} term.

- (b) in all Relevant Years subsequent to the last Relevant Year of the Regime Duration, where the PYF_t term shall take the value zero.

Where:

NDC	means the Number Of Days Of Cap term and is equal to the number of calendar days from (and including) the day on which the Cap Level comes into force up to (and including) the last calendar day of the first Relevant Year of the Regime Duration as defined in Part J of special condition 3.
NDF	means the Number Of Days Of Floor term and is equal to the number of calendar days from (and including) the day on which the Floor Level comes into force up to (and including) the last calendar day of the first Relevant Year of the Regime Duration as defined in Part J of special condition 3.
PYC_t	means the Partial Year Cap Adjustment Factor term for Relevant Year t and is calculated in accordance with paragraph 21 of this condition
PYC_{t1}	means the Partial Year Cap Adjustment Factor term for the first Relevant Year of the Regime Duration and similar expressions shall be construed accordingly
PYF_t	means the Partial Year Floor Adjustment Factor term for Relevant Year t and is calculated in accordance with paragraph 22 of this condition

PYF ₁	means the Partial Year Floor Adjustment Factor term for the first Relevant Year of the Regime Duration and similar expressions shall be construed accordingly
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Special Condition 3: Cap and Floor Assessment

1. The purpose of this condition is to calculate the value of the End of Period Cap And Floor Revenue Adjustment term (CFA_{ap}).
2. The CFA_{ap} term is a component that provides for the adjustment (whether upwards or downwards) of the Interconnector Revenue as a consequence of the assessment of the licensee's Assessed Revenue against the Cap Level and Floor Level for each Relevant Assessment Period.

Structure of this condition

3. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the End Of Period Cap And Floor Revenue Adjustment term (CFA_{ap});
 - (b) Parts B to I of this condition set out the calculation of the various components used in the calculations set out in Part A of this condition; and
 - (c) Part J of this condition specifies the number, duration and start dates of Relevant Assessment Periods over the course of the Regime Duration.

Part A: Calculation of the End of Period Cap And Floor Revenue Adjustment term (CFA_{ap})

4. For each Relevant Assessment Period, the value of the CFA_{ap} term is calculated in accordance with the following:
 - (a) if the value of the REC_{ap} term is not equal to zero, then the value of the CFA_{ap} term is calculated in accordance with the following formula:

$$CFA_{ap} = -REC_{ap} - WPAN_{ap}$$

- (b) if the value of the RSF_{ap} term is not equal to zero, then the value of the CFA_{ap} term is calculated in accordance with the following formula:

$$CFA_{ap} = RSF_{ap} - WPAN_{ap}$$

- (c) if the values of both the REC_{ap} and RSF_{ap} terms are equal to zero and the value of the $WPAN_{ap}$ term is not equal to zero, then the value of the CFA_{ap} term is calculated in accordance with the following formula:

$$CFA_{ap} = -WPAN_{ap}$$

- (d) if the values of the REC_{ap} , RSF_{ap} and $WPAN_{ap}$ terms are all equal to zero then the value of the CFA_{ap} term is zero.

Where:

CFA _{ap}	means the End Of Period Cap And Floor Revenue Adjustment term for Relevant Assessment Period <i>ap</i> and is determined in accordance with paragraph 4 of this condition
REC _{ap}	means the Revenue Excess At Cap term for Relevant Assessment Period <i>ap</i> and is determined in accordance with Part B of this condition
RSF _{ap}	means the Revenue Shortfall At Floor term for Relevant Assessment Period <i>ap</i> and is determined in accordance with Part C of this condition
WPAN _{ap}	means the Within Period Adjustment Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part G of this condition

Part B: Calculation of the Revenue Excess At Cap term (REC_{ap})

5. For each Relevant Assessment Period, the value of the Relevant Revenue At Cap (RRAC_{ap}) term is calculated in accordance with the following formula:

$$RRAC_{ap} = ARN_{ap} - CLN_{ap}$$

6. The value of the Revenue Excess At Cap (REC_{ap}) term is determined as follows:
- (a) if the value of the RRAC_{ap} term is greater than zero (positive value) then the value of the REC_{ap} term shall be equal to the value of the RRAC_{ap} term; or
 - (b) if the value of the RRAC_{ap} term is less than zero (negative value) or equal to zero then the value of the REC_{ap} term shall be zero.

Where:

ARN _{ap}	means the Assessed Revenue Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part D of this condition
CLN _{ap}	means the Cap Level Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part E of this condition
REC _{ap}	means the Revenue Excess At Cap term for Relevant Assessment Period <i>ap</i> and is determined in accordance with paragraph 6 of this condition
RRAC _{ap}	means the Relevant Revenue At Cap term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with paragraph 5 of this condition

Part C: Calculation of the Revenue Shortfall At Floor term (RSF_{ap})

7. For each Relevant Assessment Period, the value of the Relevant Revenue At Floor term is calculated in accordance with the following formula:

$$RRAF_{ap} = FLN_{ap} - ARN_{ap}$$

8. The value of the Revenue Shortfall At Floor (RSF_{ap}) term is determined as follows:
- (a) if the value of the RRAF_{ap} term is greater than zero (positive value) then the value of the RSF_{ap} term shall be equal to the value of the RRAF_{ap} term; or
 - (b) if the value of the RRAF_{ap} term is less than zero (negative value) or equal to zero then the value of the RSF_{ap} term shall be zero.

Where:

ARN _{ap}	means the Assessed Revenue Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part D of this condition
FLN _{ap}	means the Floor Level Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part F of this condition
RRAF _{ap}	means the Relevant Revenue At Floor term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with paragraph 7 of this condition
RSF _{ap}	means the Revenue Shortfall At Floor term for Relevant Assessment Period <i>ap</i> and is determined in accordance with paragraph 8 of this condition

Part D: Calculation of the Assessed Revenue Net Present Value term (ARN_{ap})

9. Subject to paragraph 10 of this condition, the value of the ARN_{ap} term is calculated in accordance with the following formula:

$$ARN_{ap} = (AR_{t1} \times UF_{t1}) + (AR_{t2} \times UF_{t2}) + \dots (AR_{t5} \times UF_{t5})$$

10. If, in any Relevant Year *t*, the value of the FL_t term is equal to zero then the formula in paragraph 9 of this condition shall be amended as follows:
- (a) for the calculation of the of the RSF_{ap} term, the AR_t term shall be replaced with the SAR_t term for that Relevant Year *t*; and
 - (b) for the calculation of the REC_{ap} term, no amendment to the formula in paragraph 9 shall be made.

Where:

AR _t	means the Assessed Revenue term for Relevant Year <i>t</i> and is determined in accordance with Part A of special condition 5 (Assessed Revenue) of this licence
AR _{t1}	means the Assessed Revenue term for the first Relevant Year of the Relevant Assessment Period and similar expressions shall be construed accordingly
ARN _{ap}	means the Assessed Revenue Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with paragraph 9 of this condition except where the calculation has been amended in accordance with paragraph 10 of this condition, in which case it is calculated in accordance with any such amendment(s)
FL _t	means the Floor Level term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 4(b) of special condition 2 of this licence
NFL _t	means the Notional Floor Level term for Relevant Year <i>t</i> and is equal to the Floor Level term for Relevant Year <i>t</i> calculated in accordance with paragraph 4(b) of special condition 2 of this licence with the additional requirement that the Availability Incentive at Floor (AIF _t) term be treated as if the Minimum Availability Target has been met
REC _{ap}	means the Revenue Excess At Cap term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part B of this condition
RSF _{ap}	means the Revenue Shortfall At Floor term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with Part C of this condition
SAR _t	means the Surplus Assessed Revenue term for Relevant Year <i>t</i> and is determined in accordance with Part H of this condition
UF _t	means the Uplift Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part I of this condition

Part E: Calculation of the Cap Level Net Present Value term (CLN_{ap})

11. The value of the CLN_{ap} term is calculated in accordance with the following formula:

$$CLN_{ap} = (CL_{t1} \times UF_{t1}) + (CL_{t2} \times UF_{t2}) + \dots (CL_{t5} \times UF_{t5})$$

Where:

CL _t	means the Cap Level term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 4(a) of special condition 2 of this licence
CL _{t1}	means the Cap Level term for the first Relevant Year of the Relevant Assessment Period and similar expressions shall be construed accordingly

CLN _{ap}	means the Cap Level Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with paragraph 11 of this condition
UF _t	means the Uplift Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part I of this condition

Part F: Calculation of the Floor Level Net Present Value term (FLN_{ap})

12. The value of the FLN_{ap} term is calculated in accordance with the following formula:

$$FLN_{ap} = (FL_{t1} \times UF_{t1}) + (FL_{t2} \times UF_{t2}) + \dots (FL_{t5} \times UF_{t5})$$

Where:

FL _t	means the Floor Level term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 4(b) of special condition 2 of this licence
FL _{t1}	means the Floor Level term for the first Relevant Year of the Relevant Assessment Period and similar expressions shall be construed accordingly
FLN _{ap}	means the Floor Level Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with paragraph 12 of this condition
UF _t	means the Uplift Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part I of this condition

Part G: Calculation of the Within Period Adjustment Net Present Value term (WPAN_{ap})

13. The value of the WPAN_{ap} term is calculated in accordance with the following formula:

$$WPAN_{ap} = (WPA_{t1} \times UF_{t1}) + (WPA_{t2} \times UF_{t2}) + \dots (WPA_{t5} \times UF_{t5})$$

Where:

UF _t	means the Uplift Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part I of this condition
UF _{t1}	means the Uplift Factor term for the first Relevant Year of the Relevant Assessment Period and similar expressions shall be construed accordingly
WPA _t	means the Within Period Adjustment term for Relevant Partial Assessment Period <i>pap</i> determined in accordance with the process set out in special condition 6 (Within Period Adjustment) of this licence, with Relevant Year <i>t</i> indicating the most recent Relevant Year of the Relevant Partial Assessment Period to which the relevant WPA _{pap} term relates

WPAN _{ap}	means the Within Period Adjustment Net Present Value term for Relevant Assessment Period <i>ap</i> and is calculated in accordance with paragraph 13 of this condition
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Part H: Calculation of the Surplus Assessed Revenue term (SAR_t)

14. Where paragraphs 9 and paragraph 10 of this condition apply, the value of the Notional Surplus Assessed Revenue (NSAR_t) term for Relevant Year *t* is calculated in accordance with the following formula:

$$NSAR_t = AR_t - NFL_t$$

15. The value of the SAR_t term is determined as follows:
- (a) where the value of the NSAR_t term is greater than zero, the value of the SAR_t term shall equal the value of the NSAR_t term; or
 - (b) where the value of the NSAR_t is less than or equal to zero, the value of the SAR_t term shall be zero.

Where:

AR _t	means the Assessed Revenue term for Relevant Year <i>t</i> and is calculated in accordance with Part A of special condition 5 of this licence
NFL _t	means the Notional Floor Level term for Relevant Year <i>t</i> and is equal to the Floor Level term for Relevant Year <i>t</i> calculated in accordance with paragraph 4(b) of special condition 2 of this licence with the additional requirement that the Availability Incentive at Floor (AIF _t) term be treated as if the Minimum Availability Target has been met
NSAR _t	means the Notional Surplus Assessed Revenue term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 14 of this condition
SAR _t	means the Surplus Assessed Revenue term for Relevant Year <i>t</i> and is determined in accordance with paragraph 15 of this condition

Part I: Calculation of the Uplift Factor term (UF_t)

16. The value of the UF_t term for Relevant Year *t* is calculated in accordance with the following formulae:

- (a) $UF_{t1} = (1+NODR_{t2}) \times (1+NODR_{t3}) \times (1+NODR_{t4}) \times (1+NODR_{t5})$
- (b) $UF_{t2} = (1+NODR_{t3}) \times (1+NODR_{t4}) \times (1+NODR_{t5})$
- (c) $UF_{t3} = (1+NODR_{t4}) \times (1+NODR_{t5})$
- (d) $UF_{t4} = (1+NODR_{t5})$

(e) $UF_{t5} = 1$

17. The value of the Nominal Operational Discount Factor term ($NODR_t$) for Relevant Year t is calculated in accordance with the following formula:

$$NODR_t = (1 + ODR) \times (1 + CRPI_t) - 1$$

18. The value of the Change in Retail Price Index term ($CRPI_t$) for Relevant Year t is calculated in accordance with the following formula:

$$CRPI_t = \frac{RPI_t}{RPI_{t-1}} - 1$$

Where:

$CRPI_t$	means the Change in Retail Price Index term for Relevant Year t and is calculated in accordance with paragraph 18 of this condition
RPI_t	means the Retail Price Index as defined in Part F of special condition 2 of this licence
$NODR_t$	means the Nominal Operational Discount Rate term for Relevant Year t and is calculated in accordance with paragraph 17 of this condition
ODR	means the Operational Discount Rate term and is equal to 3.95%
UF_t	means the Uplift Factor term for Relevant Year t and is calculated in accordance with paragraph 16 of this condition
UF_{t1}	means the Uplift Factor term for the first Relevant Year of the Relevant Assessment Period and similar expressions shall be construed accordingly

Part J: Relevant Years and Relevant Assessment Periods over the Regime Duration

19. There shall be a total of 25 Relevant Years over the Regime Duration.
20. Each Relevant Year over the Regime Duration shall commence on 1st April and end on 31st March of the next calendar year, except for the following:
- (a) the first Relevant Year of the Regime Duration shall commence on [the Regime Start Date and end on 31st March 2022](#); and
 - (b) the last Relevant Year of the Regime Duration shall commence on 1st April 2045 and end [after a period of 25 years commencing from the Regime Start Date](#).
21. Following the first Relevant Year, subsequent Relevant Years shall run consecutively.
22. There shall be a total of five Relevant Assessment Periods. Each of the Relevant Assessment Periods shall be five consecutive Relevant Years in duration.

23. The first Relevant Assessment Period shall commence on the Regime Start Date. Subsequent Relevant Assessment Periods shall run consecutively.
24. The last Relevant Assessment Period shall commence on 1st April 2041 and end with the last Relevant Year of the Regime Duration.
25. Assessment of the licensee's Assessed Revenue against the Cap Level and Floor Level (subject to these levels coming into force under paragraph 5 of special condition 2 of this licence) will occur at the end of every Relevant Assessment Period over the course of the Regime Duration.

Special Condition 4: Interconnector Availability Incentive

1. The purpose of this condition is to provide for adjustments to the Cap Level and Floor Level in relation to the licensee's Interconnector availability performance in any Relevant Year.

Structure of this condition

2. This condition is structured as follows:
 - (a) Part A of this condition sets out the obligations on the licensee in the event that the licensee's Interconnector experiences an Interconnector Outage;
 - (b) Part B of this condition sets out the Availability Target and the calculation of the associated Availability Incentive Adjustment At Cap term (AIC_t), which applies to the licensee's Interconnector for the Regime Duration;
 - (c) Part C of this condition sets out the Minimum Availability Target and the calculation of the associated Availability Incentive Adjustment At Floor term (AIF_t), which applies to the licensee's Interconnector for the Regime Duration;
 - (d) Part D of this condition sets out the calculation of the Actual Availability term (AA_t);
 - (e) Part E of this condition sets out the process to be followed in the event that the Minimum Availability Target is not met;
 - (f) Part F sets out the adjustments to the Availability Target and the Minimum Availability Target to account for Partial Years; and
 - (g) Part G sets out meanings of defined terms used only in this condition.

Part A: Obligations in the event of an Interconnector Outage

3. The licensee shall use reasonable endeavours to make Interconnector Capacity available in accordance with the standard conditions of its licence and take reasonable steps consistent with Good Industry Practice to minimise the effect and duration of any Interconnector Outage.
4. Where an Interconnector Outage applies to the licensee's Interconnector and the licensee reasonably expects the duration of such an Interconnector Outage will apply for a period of more than 21 days, then the licensee shall, within 7 days of the Interconnector Outage starting, notify the Authority in writing of the Interconnector Outage, including:
 - (a) details of the Interconnector Outage, including the cause of the Interconnector Outage and the impacts on its users and whether, in the licensee's opinion, the Interconnector Outage has been caused (in whole or in part) by an Exceptional Event;
 - (b) any interim work or other actions which are being undertaken to minimise the effect of the Interconnector Outage; and
 - (c) an indication of the timescale in which the licensee reasonably considers that the Interconnector Outage will be resolved, including (without limitation) any service

restoration agreement with the GB System Operator and/or the French System Operator.

5. All availability related calculations are applied to the Rated Capacity of the licensee's Interconnector, which is equal to 1,000 megawatts (MW).

Part B: Availability Target and calculation of the Availability Incentive Adjustment At Cap term (AIC_t)

6. Subject to Part F (Adjustments to account for Partial Years) of this condition, the Availability Target for the licensee's Interconnector is to achieve 8,467,079 megawatt hours (MWh) of Interconnector Availability in any Relevant Year.

7. The number 8,467,079 is calculated in accordance with the following formula:

$$8,467,079 = 8766 \times RC \times 96.59\%$$

Where:

8766	means the number of hours in each Relevant Year and is calculated in accordance with the formula in paragraph 19 of this condition
96.59%	means 96.59 percent and is the Availability Target (AT) expressed as a percentage of operational time
RC	means the Rated Capacity of the licensee's Interconnector and has the value given to that term in paragraph 5 of this condition (1,000 MW)

8. For each Relevant Year, the Actual Availability of the licensee's Interconnector will be compared to the Availability Target.
9. For each Relevant Year, the Actual Availability is assessed against the Availability Target in accordance with the following formula to calculate the Availability Performance at Cap (APC_t) term:

$$APC_t = \frac{AA_t}{AT}$$

10. The value of the AIC_t term is determined as follows:
 - (a) if the value of the APC_t term is greater than or equal to 1.02, then the value of the AIC_t term is 1.02;
 - (b) if the value of the APC_t term is less than or equal to 0.98, then the value of AIC_t term is 0.98; and
 - (c) if the value of the APC_t term is greater than 0.98 and less than 1.02, then the value of the AIC_t term is equal to the value of the APC_t term.

Where:

AA _t	means the Actual Availability term for Relevant Year <i>t</i> (in MWh) and is calculated in accordance with paragraph 18 of this condition
AIC _t	means the Availability Incentive Adjustment At Cap term for

	Relevant Year t and is determined in accordance with paragraph 10 of this condition
APC_t	means the Availability Performance At Cap term for Relevant Year t and is calculated in accordance with paragraph 9 of this condition
AT	means the Availability Target term and has the meaning given to that term in paragraph 6 of this condition

11. The licensee's Assessed Revenue is assessed against the Cap Level as adjusted by the AIC_t term for each Relevant Year over the Regime Duration in accordance with special condition 3 (Cap and Floor Assessment).

Part C: Minimum Availability Target and calculation of the Availability Incentive Adjustment At Floor term (AIF_t)

12. Subject to Part F (Adjustments to account for Partial Years) of this condition, the Minimum Availability Target is to achieve 7,012,800 MWh in any Relevant Year.
13. The number 7,012,800 is calculated in accordance with the following formula:

$$7,012,800 = 8766 \times RC \times 80\%$$

Where:

8766	means the number of hours in each Relevant Year and is calculated in accordance with the formula in paragraph 19 of this condition
80%	means 80 percent and is the Minimum Availability Target (MAT) expressed as a percentage of operational time
RC	means the Rated Capacity of the licensee's Interconnector and has the value given to that term in paragraph 5 of this condition (1,000 MW)

14. Subject to paragraph 27(a) of this condition, the licensee shall not be eligible for an upwards adjustment of Interconnector Revenue through the CFA_{ap} term for any Relevant Year t in which the Actual Availability falls below the Minimum Availability Target.
15. For each Relevant Year, the Actual Availability of the licensee's Interconnector is assessed against the Minimum Availability Target in accordance with the following formula to calculate the Availability Performance at Floor (APF_t) term:

$$APF_t = \frac{AA_t}{MAT}$$

16. The value of the AIF_t term is determined as follows:
- (a) if the value of the APF_t term is greater than or equal to 1.00, then the value of the AIF_t term is 1.00; and
 - (b) if the value of the APF_t term is less than 1.00, then the value of the AIF_t term is

zero.

Where:

AA _t	means the Actual Availability term for Relevant Year <i>t</i> (in MWh) and is determined in accordance with paragraph 18 of this condition
AIF _t	means the Availability Incentive Adjustment At Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 16 of this condition
APF _t	means the Availability Performance At Floor term for Relevant Year <i>t</i> and is calculated in accordance with paragraph 15 of this condition
MAT	means the Minimum Availability Target term and has the meaning given to that term in paragraph 12 of this condition

17. The licensee's Assessed Revenue is assessed against the Floor Level as adjusted by the AIF_t term for each Relevant Year over the Regime Duration in accordance with special condition 3 of this licence.

Part D: Calculation of Actual Availability term (AA_t)

18. Subject to Part E (Process to be followed when the Minimum Availability Target is not met) and Part F (Adjustments to account for Partial Years) of this condition, the value of the Actual Availability term is calculated in accordance with the following formula:

$$AA_t = MPA - \sum IO_t$$

Where:

8766	means the number of hours in each Relevant Year and is calculated in accordance with the formula in paragraph 19 of this condition
AA _t	means the Actual Availability of the licensee's Interconnector for Relevant Year <i>t</i> and is calculated in accordance with paragraph 18 of this condition
∑IO _t	means the total Interconnector Outage (in MWh), after the deduction of Allowed Outage (in MWh), for Relevant Year <i>t</i> reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>
MPA	means the Maximum Possible Availability term and has the value 8,766,000 MWh (calculated from RC × 8766) except where it has been adjusted to account for Partial Years in accordance with Part F of this condition, in which case it shall have an alternative value determined in accordance with the said Part F
RC	means the Rated Capacity of the licensee's Interconnector and has the

	value given to that term in paragraph 5 of this condition (1,000 MW)
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19. The number 8766 is calculated in accordance with the following formula and for the purposes of this condition is the number of hours in each Relevant Year:

$$8766 = 365.25 \times 24$$

Part E: Process to be followed where the Minimum Availability Target is not met

20. Where the Actual Availability of the licensee's Interconnector is below the Minimum Availability Target in any Relevant Year, the licensee shall provide a written statement to the Authority, from an authorised director of the licensee, within 3 months of the end of Relevant Year *t*, explaining how the steps that the licensee has taken have discharged the obligations under paragraph 3 of this condition including but not limited to the cause(s) of the Interconnector Outage(s) and the impacts on its users.
21. The licensee may submit a request to the Authority for consideration of an Exceptional Event(s) under the following circumstances:
- (a) the licensee considers its Assessed Revenue for Relevant Year *t* calculated in accordance with paragraph 4 of special condition 5 of this licence is less than the value of the following: the Floor Level for Relevant Year *t* calculated in accordance with paragraph 4(b) of special condition 2 of this licence with the Availability Incentive at Floor term set to 1.00;
 - (b) the licensee considers the Interconnector Outage(s) was caused (in whole or in part) by an Exceptional Event(s); and
 - (c) the licensee considers that, with the exclusion of the Interconnector Outage caused by the Exceptional Event(s), the licensee has met the Minimum Availability Target.
22. Where the licensee has submitted a request to the Authority under paragraph 21 of this condition it shall, along with that request:
- (a) specify the Availability Reduction Value proposed by the licensee, in MWh, of any Interconnector Outage caused by the Exceptional Event(s);
 - (b) provide such information as may be necessary to demonstrate that the proposed Availability Reduction Value was caused by an Exceptional Event; and
 - (c) provide such information as may be necessary to demonstrate that when the proposed Availability Reduction Value is excluded from the calculation of the licensee's Actual Availability, the licensee has met the Minimum Availability Target.
23. Where the licensee has submitted a request to the Authority under paragraph 21 of this condition, the Authority may issue a direction specifying:
- (a) whether any or all of the Interconnector Outage(s) specified in a request pursuant to paragraph 21 of this condition were caused or saved by an Exceptional Event; and
 - (b) if so, whether in the Authority's opinion, the Exceptional Event with respect to

which the licensee has submitted request under paragraph 21 of this condition, has been appropriately mitigated and managed by the licensee (consistent with the requirements of paragraph 3 of this condition) and whether the Authority accepts the proposed Availability Reduction Value specified by the licensee in its request under paragraph 22(a) and if not specify an alternative Availability Reduction Value.

24. A direction under paragraph 23 of this condition shall not have effect unless, before it is made, the Authority has given notice to the licensee:
 - (a) stating the reasons, having regard to the information provided by the licensee and Good Industry Practice, why it proposes to issue the direction; and
 - (b) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,and the Authority has considered such representations or objections and given reasons for its decision.
25. The licensee may request that a direction issued by the Authority pursuant to paragraph 23 of this condition be modified, where the licensee considers that:
 - (a) there has been a material change to the information previously provided by the licensee in relation to the Exceptional Event specified in the previous direction; and
 - (b) it has notified the Authority of the material change, no later than 3 months after the end of the Relevant Year to which it relates.
26. The calculation of the licensee's Actual Availability for Relevant Year t in accordance with Part D of this condition shall be adjusted as follows:
 - (a) where the Authority has issued a direction under paragraph 23 of this condition (including where modified) specifying the Availability Reduction Value, then the calculation of the Actual Availability shall be adjusted to deem the licensee's Interconnector available for such Availability Reduction Value; or
 - (b) under all other circumstances, no adjustment shall be made to the calculation of the licensee's Actual Availability.

Part F: Adjustments to account for Partial Years

27. In certain Relevant Years of the Regime Duration, the following terms shall be adjusted to account for Partial Years:
 - (a) the Availability Target (AT) term;
 - (b) the Minimum Availability Target (MAT) term; and
 - (c) the Maximum Possible Availability (MPA) term.
28. The following terms shall be adjusted according to the rules specified in paragraph 29 of this condition:
 - (a) the AT term; and
 - (b) the MPA term for the purposes of comparison to the AT term.
29. The rules referred to in paragraph 28 are as follows:

- (a) in respect of the first Relevant Year of the Regime Duration (in which the Cap Level comes in to force under paragraph 5(a) of special condition 2 of this licence), the relevant terms shall be adjusted by the Partial Year Cap Adjustment Factor (PYC_{t1}) term specified in paragraph 21 of special condition 2 (Cap Level and Floor Level) of this licence;
 - (b) in respect of the last Relevant Year of the Regime Duration, the relevant terms shall be adjusted by multiplying by the PYC_{t25} term specified in paragraph 21 of special condition 2 of this licence; and
 - (c) in respect of all other Relevant Years of the Regime Duration, the relevant terms shall not be adjusted.
30. The following terms shall be adjusted according to the rules specified in paragraph 31 of this condition:
- (a) the MAT term; and
 - (b) the MPA term for the purposes of comparison to the MAT term.
31. The rules referred to in paragraph 30 are as follows:
- (a) in respect of the first Relevant Year of the Regime Duration in which the Floor Level comes in to force under paragraph 5(b) of special condition 2 of this licence, the relevant terms shall be adjusted by multiplying by the Partial Year Floor Adjustment Factor (PYF_{t1}) term specified in paragraph 21 of special condition 2 of this licence;
 - (b) in respect of the last Relevant Year of the Regime Duration and subject to the Floor Level being in force under paragraph 5(b) of special condition 2 of this licence, the relevant terms shall be adjusted by multiplying by the PYF_{t25} term specified in paragraph 22 of special condition 2 of this licence; and
 - (c) in respect of all other Relevant Years of the Regime Duration, the relevant terms shall not be adjusted.

Part G: Interpretation

32. For the purposes of this condition:

- “Availability Reduction Value” means the value, in MWh, of any Interconnector Outage caused by an Exceptional Event specified by the Authority in a direction under paragraph 23(b) of this condition
- “Availability Target” means the target amount of availability of the licensee’s Interconnector in any Relevant Year and has the value of 8,467,079MWh (subject to adjustments to account for Partial Years in accordance with Part F of this condition)
- “Interconnector Outage” means any reduction in MWh of Maximum Possible Availability of the licensee’s Interconnector
- “Interconnector Availability” means the availability of Interconnector Capacity over the licensee’s Interconnector.

Special Condition 5: Assessed Revenue

1. The purpose of this special condition is to calculate the licensee's Assessed Revenue, which is assessed against the Cap Level and Floor Level in accordance with special condition 3 (Cap and Floor Assessment) for each Relevant Assessment Period of the Regime Duration.

Structure of this condition

2. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the Assessed Revenue term (AR_t);
 - (b) Part B of this condition sets out the calculation of the Gross Revenue term (GR_t);
 - (c) Part C of this condition sets out the calculation of the Market Related Costs term (MRC_t);
 - (d) Part D of this condition sets out the calculation of the Additional Revenue term (ADR_t); and
 - (e) Part E of this condition sets out the definitions of defined terms used only in this condition.

Part A: Calculation of the Assessed Revenue term (AR_t)

3. Subject to Part D (Determination of the Income Adjusting Event term) of special condition 7 (Non-Controllable Costs), for each Relevant Year, the value of the Notional Assessed Revenue (NAR_t) term is calculated in accordance with the following formula:

$$NAR_t = GR_t - MRC_t$$

4. The value of the Assessed Revenue (AR_t) term is determined as follows:
 - (a) if the value of the NAR_t term is greater than or equal to zero, then the value of the AR_t term is equal to the value of the NAR_t term; or
 - (b) if the value of the NAR_t term is less than zero, then the value of the AR_t term is zero.

Where:

AR_t	means the Assessed Revenue term for Relevant Year t and is determined in accordance with paragraph 4 of this condition
GR_t	means the Gross Revenue term for Relevant Year t and is calculated in accordance with Part B of this condition
MRC_t	means the Market Related Costs term for Relevant Year t and is calculated in accordance with Part C of this condition
NAR_t	Means the Notional Assessed Revenue term for Relevant Year t and is calculated in accordance with paragraph 3 of this condition

5. Without prejudice to any part of this condition, the Authority may, where it considers the information reported by the licensee in its Annual Cap and Floor RIGs Submission with respect to any component of the Assessed Revenue to be insufficient, request such information to be supplemented with any additional information or supporting evidence that the Authority considers appropriate.

Part B: Calculation of the Gross Revenue term (GR_t)

6. For each Relevant Year, the value of the GR_t term (in Sterling) is calculated in accordance with the following formula:

$$GR_t = CAR_t + ASRGB_t + ASRF_t + CMR_t + RI_t + CPGB_t + CPF_t + ADR_t$$

Where:

ADR_t	means the Additional Revenue term for Relevant Year t and is determined in accordance with Part D of this condition
$ASRF_t$	means the Ancillary Services Revenue (France) term for Relevant Year t and is: <ul style="list-style-type: none"> (a) equal to all revenue that is derived from providing a French Ancillary Service for Relevant Year t; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year t
$ASRGB_t$	means the Ancillary Services Revenue (GB) term for Relevant Year t and is: <ul style="list-style-type: none"> (a) equal to all revenue that is derived from providing a GB Ancillary Service for Relevant Year t; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year t
CAR_t	means the Capacity Allocation Revenue term for Relevant Year t and is: <ul style="list-style-type: none"> (a) equal to all revenue received as a result of interconnector capacity allocation for Relevant Year t; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year t
CMR_t	means the Capacity Market Revenue term for Relevant Year t and is equal to whichever is the greater of: <ul style="list-style-type: none"> (a) all revenue (after deduction of any Capacity Provider Penalty Charges) that is derived from the licensee's participation in the GB Capacity Market for Relevant Year t; and (b) zero, and is reported by the licensee in its Annual Cap and Floor RIGs

	Submission for Relevant Year <i>t</i>
CPF _{<i>t</i>}	means the Constraint Payments (France) term for Relevant Year <i>t</i> and is: (a) equal to the sum of any payments received by the licensee from the French System Operator as a result of the (partial or whole) de-energisation, disconnection or curtailment of the licensee's interconnector by the GB System Operator or French System Operator for Relevant Year <i>t</i> ; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>
CPGB _{<i>t</i>}	means the Constraint Payments (GB) term for Relevant Year <i>t</i> and is: (a) equal to the sum of any payments received by the licensee from the GB System Operator as a result of the (partial or whole) de-energisation, disconnection or curtailment of the licensee's Interconnector by the GB System Operator or French System Operator for Relevant Year <i>t</i> ; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>
RI _{<i>t</i>}	means the Receipts from Insurance term for insurance claims related to the compensation of lost revenue (such as business interruption insurance) for Relevant Year <i>t</i> and is: (a) equal to the sum of any payments received by the licensee as a result of such insurance claim(s) for Relevant Year <i>t</i> ; and (b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>

Part C: Calculation of the Market Related Costs term (MRC_{*t*})

7. For each Relevant Year, the value of the MRC_{*t*} term (in Sterling) is calculated in accordance with the following formula:

$$MRC_t = EAC_t + FC_t + TCC_t$$

8. The licensee shall use reasonable endeavours to minimise its MRC_{*t*}.

Where:

EAC _{<i>t</i>}	means the Error Accounting Costs term for Relevant Year <i>t</i> and is equal to the sum of the costs, whether positive or negative, incurred by the licensee in settling any energy imbalance due to any difference in metered volume between the physical flow on the interconnector and the aggregate position of all interconnector users as notified, in
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	<p>accordance with:</p> <p>(a) the BSC, to the Balancing and Settlement Code Company by the GB Interconnector Administrator for Relevant Year <i>t</i>; and</p> <p>(b) the relevant arrangements in France for Relevant Year <i>t</i>, and is reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
FC _{<i>t</i>}	<p>means the Firmness Costs term for Relevant Year <i>t</i> and is:</p> <p>(a) equal to costs, whether positive or negative, incurred by the licensee from payments made to users under the Firmness arrangements for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>
MRC _{<i>t</i>}	<p>means the Market Related Costs term for Relevant Year <i>t</i> and is:</p> <p>(a) 50% of all market related costs incurred in the operation of the licensee's interconnector (which represents the share of the total market related costs incurred by NGIFA2 as licensee); and</p> <p>(b) determined in accordance with paragraph 8 of this condition</p>
TCC _{<i>t</i>}	<p>means Trip Contract Costs for Relevant Year <i>t</i> and is:</p> <p>(a) equal to costs, whether positive or negative, incurred by the licensee under a Trip Contract agreement for Relevant Year <i>t</i>; and</p> <p>(b) reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i></p>

Part D: Calculation of the Additional Revenue term (ADR_{*t*})

9. For each Relevant Year, the value of the Additional Revenue term (ADR_{*t*}) is calculated in accordance with the following formula:

$$ADR_t = \sum(ADRS)_t$$

Where:

ADR _{<i>t</i>}	means the Additional Revenue term for Relevant Year <i>t</i> and is determined in accordance with paragraph 10 of this condition
$\sum(ADRS)_t$	means the sum of any Interconnector Revenue for Relevant Year <i>t</i> (after deduction of any development and associated costs directed by the Authority under paragraph 11), that is derived from a source that is specified by the Authority under paragraph 10 of this condition as being an Additional Revenue Source

10. For the purposes of this condition, any source of Interconnector Revenue shall only be

considered an Additional Revenue Source if the Authority has directed in writing to the licensee that it is an Additional Revenue Source.

11. For the purposes of this condition, development and associated costs related to Additional Revenue shall only be deducted if the Authority has directed in writing to the licensee that such costs are deductible.
12. Where the licensee considers that a source of Interconnector Revenue may qualify as an Additional Revenue Source, it must notify the Authority in writing as soon as practicably possible.

Part E: Interpretation

13. For the purposes of this condition:

“French Ancillary Services” means:

- (a) such services as the licensee may be required to have available pursuant to the relevant French legislation and/or industry codes as applicable, and/or
- (b) such services as the licensee may have agreed to have available as being ancillary services pursuant to any agreement made with the French System Operator and which may be offered for purchase by the French System Operator for the purpose of securing stability of operation of the national electricity transmission systems in France and the distribution system of any authorised electricity operator or any system linked to the national electricity transmission systems in France by the licensee’s Interconnector

“Capacity Provider Penalty Charges” has the meaning given to that term in The Electricity Capacity Regulations 2014 (SI 2014/ 2043) as amended

“Firmness” has the meaning given to that term in Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management

and Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation

“GB Ancillary Services” means:

- (a) such services as the licensee may be required to have available pursuant to the Grid Code; and/or
- (b) such services as the licensee may have agreed to have available as being ancillary services pursuant to any agreement made with the GB System Operator and which may be offered for purchase by the GB System Operator for the purpose of securing stability of operation of the national electricity transmission system

in GB and the distribution system of any authorised electricity operator or any system linked to the national electricity transmission system in GB by the licensee's Interconnector

“GB Interconnector Administrator”

has the meaning given to the term “Interconnector Administrator” in the BSC

“GB Capacity Market”

has the meaning given to the term “Capacity Market” in The Electricity Capacity Regulations 2014 (SI 2014/2043) as amended

“Trip Contract”

means:

- (a) contracts; and/or
- (b) other forms of agreement specified in writing by the Authority,

providing for energy sales and/or purchases on the intraday markets or other contracts with a third party to deliver/off-take power in the market for the purposes of managing trip events [or managing other forms of energy imbalance at the discretion of the Authority.](#)

Special Condition 6: Within Period Adjustment

1. The purpose of this condition is to set out the process for determining the value of the Within Period Adjustment term (WPA_{pap}) for each Relevant Partial Assessment Period.
2. The WPA_{pap} term is a revenue adjustment component that provides for the adjustment (whether upwards or downwards) of the Interconnector Revenue outside of the five-yearly assessment of the licensee's Assessed Revenue against the Cap Level and Floor Level set out in special condition 3 (Cap and Floor Assessment) of this licence.
3. This condition sets out the process:
 - (a) that must be followed by the licensee in requesting a Within Period Adjustment; and
 - (b) for determining the value of the Within Period Adjustment.

Structure of this condition

4. This condition is structured as follows:
 - (a) Part A of this condition sets out the process for requesting a Within Period Adjustment; and
 - (b) Part B of this condition sets out the process for determining the value of the Within Period Adjustment.

Part A: Process for requesting a Within Period Adjustment

5. Where the licensee has:
 - (a) a cumulative net present value shortfall of Assessed Revenue against the Floor Level for the Relevant Partial Assessed Period *pap* (including taking in to account any previous Within Period Adjustment in the Relevant Partial Assessment Period); or
 - (b) a cumulative net present value excess of Assessed Revenue against the Cap Level for the Relevant Partial Assessed Period *pap* (including taking in to account any previous Within Period Adjustment in the Relevant Partial Assessment Period); andthe licensee considers a Within Period Adjustment to be required on grounds of:
 - (i) financeability; and/ or
 - (ii) pre-empting a material Cap and Floor Adjustment (CFA_{ap}) at the end of the Relevant Assessment Period,then the licensee may submit a request to the Authority for a Within Period Adjustment.
6. A request by the licensee for a Within Period Adjustment under paragraph 5 of this condition may be:
 - (a) where the requirements of paragraph 5(a) are met, a request for an upwards

- adjustment of the Interconnector Revenue (positive value); or
- (b) where the requirements of paragraph 5(b) are met, a request for a downwards adjustment of the Interconnector Revenue (negative value).
7. Any request under paragraph 5 of this condition shall be submitted by the licensee:
- (a) not earlier than three months before the end of the Relevant Partial Assessment Period to which the request relates; and
- (b) not later than three months after the end of the Relevant Partial Assessment Period to which the request relates.
8. Any request under paragraph 5 shall also specify the licensee's proposed value of the Within Period Adjustment term (WPA_{pap}). Such value shall:
- (a) be calculated in accordance with the methodology established in special condition 3 of this licence (with relevant adjustments to reflect the reduced time period in the Relevant Partial Assessment Period compared to the Relevant Assessment Period); and
- (b) shall not exceed in size:
- (i) the cumulative net present value shortfall described in paragraph 5(a) of this condition; or
- (ii) the cumulative net present value excess described in paragraph 5(b) of this condition.
9. Any request submitted under paragraph 5 of this condition shall include:
- (a) such supporting information and evidence as may be necessary to demonstrate that a Within Period Adjustment meets the criteria specified in paragraph 5 of this condition;
- (b) details of how the proposed values of the WPA_{pap} term specified by the licensee pursuant to paragraph 8 of this condition has been calculated, including (where relevant) how elements have been forecasted; and
- (c) any other analysis or information as may be necessary to enable the Authority to make a determination under paragraph 12 of this condition.
10. The Authority may, in addition to the information provided under paragraph 9 of this condition, request that the licensee provide such supplementary information or supporting evidence that the Authority considers appropriate.

Part B: Process for determining the value of any Within Period Adjustment

11. The Authority shall only determine a Within Period Adjustment request that has been submitted by the licensee in accordance with Part A of this condition.
12. The Authority shall determine a Within Period Adjustment request (after consultation with the licensee and such other persons as it considers desirable) and issue a direction specifying:

- (a) whether it considers the licensee to have sufficiently demonstrated that a Within Period Adjustment is required on the grounds specified in paragraph 5 of this condition; and
 - (b) if so, whether it accepts the value of the WPA_{pap} term proposed by the licensee in its request under paragraph 8 of this condition and if not, specify the value of the WPA_{pap} term.
13. Subject to paragraph 15 of this condition, the Authority shall complete its determination under paragraph 12 of this condition within a period of three months after receipt of the request and complete information under Part A of this condition.
 14. Where the Authority has requested further information under paragraph 10 of this condition the licensee shall provide such information to the Authority within one month of the Authority requesting such information.
 15. The three month period specified in paragraph 13 of this condition shall be paused on the date the Authority requests additional information from the licensee under paragraph 10 of this condition and shall resume on the date that the last item of the requested additional information is received by the Authority.

Special Condition 7: Non-Controllable Costs

1. The purpose of this condition is to:
 - (a) calculate the Pass Through Adjustment for the licensee’s Non-Controllable Operational Costs (PTA_{ap});
 - (b) establish the process for determining the Income Adjusting Event Adjustment term (IAT_t); and
 - (c) establish the process for determining the Decommissioning Costs Adjustment At Cap and Decommissioning Costs Adjustment At Floor terms (DCC_t and DCF_t).
2. The PTA_{ap} term is a revenue adjustment component that provides for the adjustment (whether upwards or downwards) of the Interconnector Revenue as a consequence of changes in the licensee’s Non-Controllable Operational Costs.
3. The IAT_t term is an adjustment (whether upwards or downwards) to the calculation of the licensee’s Assessed Revenue as a consequence of an Income Adjusting Event.
4. The DCC_t and DCF_t terms are adjustments (whether upwards or downwards) to the calculation of the Cap Level and the Floor Level respectively in special condition 2 of this licence as a consequence of changes in legislative requirements for decommissioning the licensee’s Interconnector.

Structure of this condition

5. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the Pass Through Adjustment term (PTA_{ap});
 - (b) Parts B and C of this condition set out the calculation of components used in the calculations set out in Part A;
 - (c) Part D of this condition sets out the determination of the Income Adjusting Event Adjustment term (IAT_t);
 - (d) Part E of this condition sets out the determination of the Decommissioning Cost Adjustment At Cap and Decommissioning Cost Adjustment At Floor terms (DCC_t and DCF_t); and
 - (e) Part F of this condition sets out the definitions of defined terms used only in this condition.

Part A: Calculation of Pass Through Adjustment term (PTA_{ap})

6. For each Relevant Assessment Period, the value of the PTA_{ap} term is calculated in accordance with the following formula:

$$PTA_{ap} = (NCOC_{t1} \times UF_{t1}) + (NCOC_{t2} \times UF_{t2}) + \dots (NCOC_{t5} \times UF_{t5})$$

Where:

$NCOC_t$	means the Non-Controllable Operational Costs Adjustment term for
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	Relevant Year t and is calculated in accordance with Part B of this condition
PTA_{ap}	means the Pass Through Adjustment term for Assessment Period ap and is calculated in accordance with paragraph 6 of this condition
UF_t	means the Uplift Factor term for Relevant Year t and is calculated in accordance with Part I of special condition 3 (Cap and Floor Assessment) of this licence

Part B: Calculation of Non-Controllable Operational Costs Adjustment term (NCOC_t)

7. For each Relevant Year, Baseline Non-Controllable Operational Costs (BNCOC_t) is assessed against Outturn Non-Controllable Operational Costs (ONCOC_t) in accordance with the following formula to calculate the Difference in Non-Controllable Operational Costs (DNCOC_t) term:

$$DNCOC_t = ONCOC_t - BNCOC_t$$

8. Without prejudice to paragraph 12 of this condition, the Authority will determine and specify in writing not later than six months after the end of the Relevant Year, that:
- (a) it is satisfied that the ONCOC_t has been economically and efficiently incurred and the NCOC_t value, whether positive or negative, equals the DNCOC_t value; or
 - (b) it considers the ONCOC_t has not been economically and efficiently incurred and the NCOC_t value does not equal the DNCOC_t value.
9. Where a determination is made by the Authority under paragraph 8(b) of this condition, the Authority will specify the value of the NCOC_t which may be a positive or negative value.
10. The licensee shall use reasonable endeavours to minimise its ONCOC_t.
11. Where the licensee's ONCOC_t is greater than the BNCOC_t, the licensee shall, alongside its Annual Cap and Floor RIGs submission, provide evidence as may be necessary to support the Authority's determination under paragraph 8 of this condition.
12. The Authority may, in addition to the information provided under paragraph 11 of this condition, request that the licensee provide such supplementary information or supporting evidence that the Authority considers appropriate and the timescale noted in paragraph 8 of this condition will be suspended accordingly until such time when such information has been provided to the Authority.

Where:

BNCOC _t	means the Baseline Non-Controllable Operational Costs for Relevant Year t and is calculated in accordance with Part C of this condition
DNCOC _t	means the Difference In Non-Controllable Operational Costs term for Relevant Year t and is calculated in accordance with paragraph 7 of this condition
NCOC _t	means the Non-Controllable Operational Costs Adjustment term for Relevant Year t and is determined in accordance with paragraph 8

	and paragraph 9 of this condition
ONCOC _t	means the Outturn Non-Controllable Operational Costs for Relevant Year <i>t</i> and is: <ul style="list-style-type: none"> (a) equal to costs incurred by the licensee for the Non-Controllable Operational Cost Items (as specified in paragraph 15 of this condition) for Relevant Year <i>t</i>; (b) Reported by the licensee in its Annual Cap and Floor RIGs Submission for Relevant Year <i>t</i>; and (c) supplemented with any other analysis or information which the licensee considers sufficient to enable the Authority to fully assess the reasons for any difference(s) between the value of the ONCOC_t term and the value of the BNCOC_t term

Part C: Calculation of the Baseline Non-Controllable Operational Costs term (BNCOC_t)

13. The value of the Baseline Non-Controllable Operational Costs term is determined in accordance with the following formula:

$$BNCOC_t = BNCOA \times RPI_t \times PYAF_t$$

Where:

BNCOC _t	means the Baseline Non-Controllable Operational Costs for Relevant Year <i>t</i> and is calculated in accordance with paragraph 13 of this condition
BNCOA	means the Baseline Non-Controllable Operational Costs Allowance term expressed in real 2016/17 Sterling prices and is determined in accordance with paragraph 14 of this condition
RPI _t	means the Retail Price Index term for Relevant Year <i>t</i> and is calculated in accordance with Part F of special condition 2 (Cap Level and Floor Level) of this licence
PYAF _t	means the Partial Year Adjustment Factor term for Relevant Year <i>t</i> and shall be equal to the value of PYC _t term as calculated in accordance with Part G of special condition 2 of this licence.

14. The value of the Baseline Non-Controllable Operational Costs Allowance term (BNCOA) shall be determined by the Authority at the Post Construction Review and notified to the licensee in writing. The value of the BNCOA term shall be equal to Authority's assessment of the economic and efficient costs for items listed in paragraph 15 of this condition.
15. The Non-Controllable Operational Cost Items are defined as the following:
- (a) Crown Estate Lease Fees;

- (b) [GB Property Rates](#); and
- (c) GB Licence Fees.

Part D: Determination of the Income Adjusting Event term (IAT_t)

16. For any Relevant Year t where the licensee considers, and can provide supporting evidence that, in respect of Relevant Year t , there have been costs and/or expenses that have been incurred or saved by an Income Adjusting Event, the licensee may give written notice of this Income Adjusting Event to the Authority.
17. For the purposes of this condition, an Income Adjusting Event means an event or circumstance:
 - (a) which in the Authority's opinion constitutes a Force Majeure event under the special conditions of this licence; and
 - (b) as a consequence of which there are costs and/or expenses incurred by the licensee which exceed 5 per cent of the Floor Level for Relevant Year t calculated in accordance with paragraph 4(b) of special condition 2 of this licence with the Availability Incentive at Floor (AIF_t) term set to 1.00.
18. A notice received by the Authority under paragraph 16 of this condition shall give particulars of:
 - (a) the event or circumstance to which the notice relates and the reason(s) why the licensee considers this event to be an Income Adjusting Event;
 - (b) the amount of any change in costs and/or expenses that can be demonstrated by the licensee to have been caused or saved by the event or circumstance;
 - (c) the proposed value of the IAT_t term as a consequence of that event or circumstance and how the proposed value of the IAT_t term has been calculated;
 - (d) evidence to show that the proposed value of the IAT_t term is economic and efficient; and
 - (e) any other analysis or information, which the licensee considers sufficient to enable the Authority and the relevant parties to fully assess the event or circumstance to which the notice relates.
19. If the Authority considers that the analysis or information received under paragraph 18 of this condition is insufficient to enable the Authority to assess whether an Income Adjusting Event has occurred and/or whether the value of the IAT_t term should be approved, the Authority can request that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one month of the Authority requesting such information.
20. A notice of an Income Adjusting Event referred to in paragraph 16 of this condition shall be given as soon as is reasonably practicable after the occurrence of the Income Adjusting Event, and, in any case, not later than three months after the end of the Relevant Year in which it occurs or such later date as the Authority may notify to the licensee.
21. The Authority may make public, excluding any confidential information, any notice of

- an Income Adjusting Event following its receipt.
22. Any notice received by the Authority under paragraph 16 of this condition should clearly identify whether any of the information contained in the notice is of a confidential nature. The Authority shall make the final determination as to confidentiality having regard to:
 - (a) the need to exclude from disclosure, so far as is reasonably practicable, information whose disclosure the Authority considers would or might seriously prejudicially affect the interests of a person to which it relates; and
 - (b) the extent to which the disclosure of the information mentioned in sub-paragraph 22(a) of this condition is necessary for the purposes of enabling relevant parties (if any) to fully assess the event to which the notice relates.
 23. The Authority will determine, after consultation with the licensee and such other persons as it considers desirable:
 - (a) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 16 of this condition were caused or saved by an Income Adjusting Event; and
 - (b) if so, whether in the Authority's opinion, the Incoming Adjusting Event with respect to which the licensee has given notice under paragraph 16 of this condition, has been appropriately mitigated and managed by the licensee and whether the Authority accepts the proposed value of the IAT_t term and if not specify the value of the IAT_t term.
 24. In relation to the Relevant Year t , the Income Adjusting Event adjustment (IAT_t) shall be:
 - (a) the value determined by the Authority under paragraph 23 of this condition; or
 - (b) if the Authority has not requested additional information under paragraph 19 of this condition and the Authority has not made a determination under paragraph 23 of this condition within three months of the date on which notice of an Income Adjusting Event was received by the Authority, the value of the IAT_t term proposed as a consequence of the event in the notice given to the Authority under paragraph 16 of this condition; or
 - (c) if the Authority requests additional information under paragraph 19 of this condition and the Authority has not made a determination under paragraph 23 of this condition within three months of receiving all additional information requested, the value of the IAT_t term proposed by the licensee in the notice given to the Authority under paragraph 16 of the condition; or
 - (d) in all other cases the value zero, including situations where the Authority has not made a determination under paragraph 23 of this condition within three months of the date on which the notice was received by the Authority, or within three months of the date on which the Authority received additional information if requested under paragraph 19, and the Authority has, before the end of the appropriate three month period, informed the licensee that the Authority considers that the analysis or information provided in accordance with paragraphs 18 and/or 19 is insufficient to enable the Authority to assess whether an Income Adjusting Event has occurred and/or the value of the IAT_t term.
 25. The Authority's decision in relation to any notice given under paragraph 16 shall be in

writing, shall be copied to the licensee and shall be published.

26. The Authority may revoke an approval of an Income Adjusting Event and the value of the IAT_t term with the consent of the licensee, following consultation with the licensee and relevant parties, and any such revocation of any Income Adjusting Event and the value of the IAT_t term shall be in writing, shall be copied to the licensee and shall be published.
27. Where a value for the IAT_t term has been determined under paragraph 23 or 24 of this condition, the formula for calculating the value of the NAR_t term specified in paragraph 3 of special condition 5 (Assessed Revenue) of this licence shall be replaced by the following formula:

$$NAR_t = GR_t - MRC_t - IAT_t$$

Where:

NAR_t	means the Notional Assessed Revenue term for Relevant Year t and is calculated in accordance with paragraph 3 of special condition 5, except where the value of the IAT_t term has been determined under paragraph 23 or 24 of this condition, in which case it is calculated in accordance with paragraph 27 of this condition
GR_t	means the Gross Revenue term for Relevant Year t and is calculated in accordance with Part B of special condition 3 of this licence
MRC_t	means the Market Related Costs term for Relevant Year t and is calculated in accordance with Part C of special condition 3 of this licence
IAT_t	means the Income Adjusting Event term for Relevant Year t and is determined under paragraphs 23 or 24 of this condition

Part E: Determination of the Decommissioning Cost Adjustment At Cap and Determination of the Decommissioning Cost Adjustment At Floor terms (DCC_t and DCF_t)

28. The DCC_t and DCF_t terms are adjustments (whether upwards or downwards), expressed in 2016/17 Sterling prices, of the Cap Level and Floor Level respectively to account for the difference between:
 - (a) the Authority's assessment, at the Post Construction Review stage, of the legislative requirements relating to the decommissioning of the licensee's Interconnector and the economic and efficient costs associated with such requirements; and
 - (b) the Authority's re-assessment, at the request of the licensee at any point over the Regime Duration, of any subsequent changes in legislative requirements relating to the decommissioning of the licensee's Interconnector and the changes in economic and efficient costs associated with such changes in requirements.
29. Where the licensee considers, and can provide supporting evidence, that there will be a reduction or increase in costs and/or expenses in relation to the licensee's obligations with respect to decommissioning of the licensee's Interconnector that have arisen due

to a change in legislative requirements at any point over the Regime Duration, then the licensee shall give written notice to the Authority.

30. Any notice received by the Authority under paragraph 29 shall give particulars of:
 - (a) the change in legislative requirements to which the notice relates and the reason(s) why the licensee considers that it will face reduced or additional costs and/or expenses in complying with those obligations, and demonstrate that such costs and/or expenses are not included within the Cap Level and the Floor Level (or are included in the Cap Level and Floor Level but no longer should be);
 - (b) the expected amount of any change in costs and/or expenses that can be demonstrated by the licensee to be caused by the change in decommissioning requirements and how the amount of these costs and/or expenses has been calculated;
 - (c) the proposed value of the adjustment to the Cap Level and the Floor Level (the proposed value of the DCC_t and DCF_t terms) and the proposed duration over which such adjustment should apply (such duration not exceeding the Regime Duration);
 - (d) how such adjustment has been calculated, with supporting information;
 - (e) any other analysis or information, which the licensee considers sufficient to enable the Authority to fully assess the change in legislative requirements to which the notice relates.
31. If the Authority considers that the analysis or information received under paragraph 30 is insufficient to enable the Authority to assess whether a change in decommissioning requirements has occurred, the Authority can request that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one month of the Authority requesting such information.
32. A notice referred to in paragraph 29 of this condition shall be given as soon as is reasonably practicable after the occurrence of the change in legislative requirements, and, in any case, not later than three months after the end of the Relevant Year in which the change in requirements occurs.
33. Where the licensee has submitted a request in accordance with paragraphs 29 to 32 of this condition and has provided all relevant information in accordance with this Part E of this condition, the Authority shall issue a direction determining:
 - (a) whether there has been a relevant change in legislative requirements and whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 29 of this condition were caused by the change in legislative requirements; and
 - (b) if so, the periods, if any, over which the adjustment term DCC_t and DCF_t terms determined by the Authority should apply.
34. The Authority's determination under paragraph 33 shall be in writing, shall be copied to the licensee and shall be published.
35. Unless and until such determination is made, the DCC_t and DCF_t terms shall have the value zero.
36. Where the Authority has issued a direction under paragraph 33 of this condition, the

formulae for calculating the Cap Level and the Floor Level specified in paragraph 4(a) and 4(b) of special condition 2 of this licence shall be replaced by the following formulae:

$$(a) \quad CL_t = PYC_t \times (PCL + PCAC + ORAC + DCC_t) \times AIC_t \times RPI_t$$

$$(b) \quad FL_t = PYF_t \times (PFL + PCAF + ORAF + DCF_t) \times AIF_t \times RPI_t$$

Where:

AIC _t	means the Availability Incentive Adjustment At Cap term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 4 (Interconnector Availability Incentive) of this licence and shall have a value in the range specified in paragraph 17 of special condition 2 of this licence
AIF _t	means the Availability Incentive Adjustment At Floor term for Relevant Year <i>t</i> and is determined in accordance with Part C of special condition 4 and shall have a value specified in paragraph 18 of special condition 2
CL _t	means the Cap Level for Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(a) of special condition 2 of this licence, except where the Authority has issued a direction under paragraph 33 of this condition, in which case it shall be calculated in accordance with paragraph 36(a) of this condition
DCC _t	means the Decommissioning Cost Adjustment At Cap term for Relevant Year <i>t</i> and is determined in accordance with paragraph 33 of this condition
DCF _t	means the Decommissioning Cost Adjustment At Floor term for Relevant Year <i>t</i> and is determined in accordance with paragraph 33 of this condition
FL _t	means the Floor Level in Relevant Year <i>t</i> and is calculated in accordance with the formula in paragraph 4(b) of special condition 2, except where the Authority has issued a direction under paragraph 33 of this condition, in which case it shall be calculated in accordance with paragraph 36(b) of this condition
PCAC	means the Post Construction Adjustment At Cap term and is determined in accordance with Part C of special condition 2 of this licence
PCAF	means the Post Construction Adjustment At Floor term and is determined in accordance with Part C of special condition 2 of this licence
PCL	means the Preliminary Cap Level specified in paragraph 12(a) of special condition 2 of this licence

PFL	means the Preliminary Floor Level specified in paragraph 12(b) of special condition 2 of this licence
RPI _t	means the Retail Price Index term for Relevant Year <i>t</i> and is calculated in accordance with Part F of special condition 2 of this licence
PYC _t	means the Partial Year Cap Adjustment Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part G of special condition 2 of this licence
PYF _t	means the Partial Year Floor Adjustment Factor term for Relevant Year <i>t</i> and is calculated in accordance with Part G of special condition 2 of this licence
ORAC	means the Opex Reassessment Adjustment At Cap term and is determined in accordance with Part D of special condition 2 of this licence
ORAF	means the Opex Reassessment Adjustment At Floor term and is determined in accordance with Part D of special condition 2 of this licence

37. In the event that:

- (a) monies have been paid to the licensee by the GB System Operator for the purposes of decommissioning the licensee's Interconnector (i.e. below Floor Level payments have included allowances for costs and/or expenses in relation to the licensee's obligations with respect to decommissioning of the licensee's Interconnector); and/or
- (b) monies have been retained by the licensee for the purposes of decommissioning the licensee's interconnector that would otherwise have been paid by the licensee to the GB System Operator (i.e. above Cap Level payments have been reduced to account for allowances for costs and/or expenses in relation to the licensee's obligations with respect to decommissioning of the licensee's Interconnector); and
- (c) such monies are not required for the purposes of decommissioning the licensee's Interconnector at the end of the Regime Duration,

then the Authority shall determine, after consultation with the licensee and other such persons as it considers desirable, appropriate treatment of such monies in light of future plans for the operation of the licensee's Interconnector after the Regime Duration.

Part F: Interpretation

38. For the purposes of this condition:

“Confidential means any information relating to or deriving from the

Information”	management or operation of the licensee’s Interconnector business that is not published or otherwise legitimately in the public domain
“Crown Estate Lease”	means any lease, licence, or agreement between the licensee and the Crown Estate relating to the use of Crown Estate property to enable the operation of the licensee’s Interconnector
“Crown Estate Lease Fees”	means costs paid in accordance with the licensee’s obligations set out in its Crown Estate Lease in respect of the annual rent of the seabed
“Income Adjusting Event”	has the meaning set out in paragraph 17 of this condition
“GB Licence Fees”	means costs paid in accordance with the licensee’s obligations under standard condition 2 (Payments by the licensee to the Authority) of this licence
“ GB Property Rates ”	means: <ul style="list-style-type: none"> (a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 and hereditaments on the Local Rating Lists compiled under sections 41 and 41A of the Local Government Finance Act 1988 (or any legislation amending or replacing those enactments); (b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government Scotland Act 1975, the Local Government etc (Scotland) Act 1994; and/or (c) such costs not falling under points (a) to (b) as the Authority specifies in writing as being costs that constitute property rates payable by the licensee in respect of the licensee’s Interconnector.

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

1. The purpose of this condition is to establish the process for determining the values of the Post Construction Adjustment (PCA) terms (the Post Construction Adjustment At Cap term (PCAC) and the Post Construction Adjustment At Floor term (PCAF)).
2. The PCA terms are the adjustment (whether upwards or downwards) of the Cap Level and the Floor Level proposed by the licensee as a consequence of the difference between:
 - (a) the Authority's estimate, assumed in the Preliminary Cap Level and Preliminary Floor Level, of the costs associated with developing, constructing, operating, maintaining and decommissioning of the licensee's Interconnector; and
 - (b) the Authority's assessment, at the Post Construction Review stage, of the economic and efficient costs associated with developing, constructing, operating, maintaining and decommissioning of the licensee's Interconnector.
3. Setting the PCA values will require specific changes to update the IFA2 Cap And Floor Financial Model. These changes are set out within the IFA2 cap and floor financial model handbook. The IFA2 Cap And Floor Financial Model is defined within special condition 11.
4. The licensee shall submit a request to the Authority setting out the proposed value for the PCA terms with supporting information at:
 - (a) the earlier of either:
 - i. a date on which between 85 per cent and 95 per cent of development and capital expenditure, excluding interest during construction (and any snagging retention) has been committed to the development and construction of the licensee's Interconnector; and
 - ii. the Full Commissioning Date; or
 - (b) such other date as may be agreed in writing by the Authority in accordance with paragraph 5 of this condition.
5. The licensee may request in writing that the Authority make an earlier or later determination than specified in paragraph 4(a) provided that:
 - (a) The licensee provides supporting evidence of the reasons for submitting a request to the Authority outside the dates specified in paragraph 4(a) of this condition; and
 - (b) Any risks associated with contingency and unspent costs or future variations shall reside with the licensee.
6. The licensee shall give the Authority no less than 6 months' notice that it intends to submit a proposed value for the PCA terms for determination by the Authority under this condition.
7. The licensee shall ensure that a request under paragraph 4 of this condition includes:
 - (a) the licensee's proposed values for the PCA terms;
 - (b) confirmation that the licensee's proposed PCA terms have been calculated in

- accordance with the IFA2 Cap And Floor Financial Model and providing details of any calculation elements that are not in accordance with the model; and
- (c) any other relevant information as may be specified by the Authority to facilitate its determination of the licensee's proposed values for the PCA terms.
8. For the purpose of paragraph 8(c), the Authority may issue guidance specifying the relevant information to be provided by the licensee. Such guidance may contain appropriate provisions and / or requirements in respect of the format and content of submission to be made by the licensee to the Authority under this condition, including the areas to be covered and the type of information and evidence to be provided.
 9. The Authority will review the information submitted by the licensee under paragraph 8 of this condition and notify the licensee in writing within three months that:
 - (a) it has received all the information required to make a determination under paragraph 13 of this condition; or
 - (b) it has not received all the information required and specifies what further information is required.
 10. The Authority will only commence its determination of the appropriateness of the licensee's proposed value for the PCA terms if, in its opinion, the licensee's submission meets the requirements of guidance issued (if any) under paragraph 9 of this condition.
 11. Where the Authority has requested further information under paragraph 10(b) of this condition, the licensee shall provide such information to the Authority within one month of the Authority requesting such information.
 12. Subject to paragraph 15 of this condition, the Authority shall, within 12 months from the date of any notification under paragraph 10(a) of this condition, determine whether the licensee's proposed values for the PCA terms meet the following conditions:
 - (a) include only eligible costs, as set out in our FPA decision, all of which must be deemed to be efficiently incurred; and
 - (b) have been calculated in accordance with the IFA2 Cap And Floor Financial Model.
 13. If the licensee's proposed values for the PCA terms do not meet the conditions specified in paragraph 13, the Authority will:
 - (c) specify the submission areas that are ineligible, inefficient, and/or not in accordance with the IFA2 Cap And Floor Financial Model and state the reasons behind that position;
 - (d) provide details of alternative treatments and why it considers them to be in accordance with paragraph 13 (a) and (b) of this condition; and
 - (e) provide updated values of the PCA terms which reflect the alternative treatments.
 14. The 12 month period specified in paragraph 13 of this condition shall be paused on the date the Authority requests further information from the licensee under paragraph 10(b) of this condition and shall resume on the date the Authority issues a further notification under paragraph 10(a).
 15. As soon as reasonably practicable after completing its determination under paragraph 13 of this condition, the Authority shall direct in writing the values of the PCA terms. The values of the PCA terms specified in such a direction shall take effect from the

Regime Start Date.

16. Prior to completing its determination under paragraph 13 of this condition, the Authority shall consult with the licensee and any other relevant parties through a public consultation for a period of at least 28 days and consider any representations duly received within that period.
17. If the Post Construction Review is not completed within the First Year of Operation, we reserve the right to disallow the licensee any Within Period Adjustments until the Post Construction Review is completed and final Cap Level and Floor Level are established.

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

1. The purpose of this condition is to establish the process for determining the value of the Opex Reassessment Adjustment (ORA) terms (the Opex Reassessment Adjustment At Cap term (ORAC) and the Opex Reassessment Adjustment At Floor term (ORAF)). The ORA terms are the adjustment (whether upwards or downwards) of the Cap Level and Floor Level to account for the difference between:
 - (a) the Authority's assessment at the Post Construction Review stage of the economic costs associated with operating and maintaining the licensee's Interconnector; and
 - (b) the Authority's reassessment, at the Opex Reassessment stage, of the economic and efficient costs associated with operating and maintaining the licensee's Interconnector.
2. The value of the ORA terms shall be determined by the Authority not less than 10 years following the Regime Start Date, if either:
 - (a) such determination is requested by the licensee in accordance with paragraph 4 of this condition; or
 - (b) the Authority has notified the licensee, in accordance with paragraph 5 of this condition, that it considers such a determination to be appropriate,and in any case no more than once.
3. Until and unless such a determination is made, the ORA terms shall have the value zero.
4. Where such a determination is considered necessary, the licensee must submit a request to the Authority setting out the proposed values for the ORA terms with supporting information. The licensee must include all relevant and up to date cost information that the Authority may require to complete its reassessment.
5. The Authority may notify the licensee that it considers it appropriate to determine the values of the ORA terms. Such notification shall:
 - (a) be made in writing to the licensee; and
 - (b) set out the information that the licensee is required to provide to the Authority to complete its reassessment.
6. The licensee shall provide the information required under paragraph 5(b) of this condition within 3 months from the date of the Authority's notification.
7. The licensee shall ensure that all relevant information as may be specified by the Authority in accordance with paragraph 4 or paragraph 5(b) is submitted to the Authority to facilitate its reassessment and determination of the values of the ORA terms.
8. The Authority shall review the information submitted by the licensee pursuant to paragraph 4 or paragraph 5(b) of this condition and notify the licensee in writing within three months that:
 - (a) it has received all the information required to allow it to make its determination under paragraph 2(a) or paragraph 2(b) of this condition; or

- (b) it has not received all the information required and specify what further information is required.
9. The Authority will, following a review of any further information submitted by the licensee pursuant to paragraph 8(b) of this condition, confirm in writing to the licensee, whether it has received all the information required by sending a notification to the licensee under paragraph 8(a) of this condition and, if not, specify what information remains outstanding.
 10. Where the Authority, at any time after sending a notification to the licensee under paragraph 8(a) of this condition, concludes that the information provided by the licensee is not sufficient for the purposes of making a determination under paragraph 2(a) or paragraph 2(b) of this condition, the Authority shall specify in writing what further information is required in order for the Authority to issue a further notification under paragraph 8(a) of this condition.
 11. The Authority will not commence its determination of the values of the ORA terms until the requirements of paragraph 7 of this condition have been met.
 12. Where the Authority has requested further information under paragraph 8(b), paragraph 9 or paragraph 10 of this condition, the licensee shall provide such information to the Authority within one month of the Authority requesting such information.
 13. Subject to paragraph 14 of this condition, the Authority shall, within 12 months from the date of any notification under paragraph 8(a) of this condition determine the values of the ORA terms under paragraph 2(a) or paragraph 2(b) of this condition.
 14. The 12 month period specified in paragraph 13 of this condition shall be paused on the date the Authority requests further information from the licensee under paragraph 10 of this condition and shall resume on the date that the further notification under paragraph 8(a) of this condition is given to the licensee pursuant to paragraph 10 of this condition.
 15. As soon as reasonably practicable after completing any determination under paragraph 2(a) or paragraph 2(b) of this condition, the Authority shall direct in writing the values of the ORA terms. The values of the ORA terms specified in such a direction shall take effect from the start of the following Relevant Year.
 16. Changes to decommissioning costs will not be considered at the reassessment of Operating Costs.
 17. Prior to completing its determination under paragraph 2(a) or paragraph 2(b) of this condition, the Authority shall consult with the licensee and any other relevant parties for a period of at least 28 days and consider any representations duly received within that period.

Special Condition 10: Calculation of adjustments to the Interconnector Revenue

1. The purpose of this condition is to calculate the value of the Interconnector Cap And Floor Revenue Adjustment term (ICF_t).
2. The ICF_t term provides for the adjustment (whether upwards or downwards) of the Interconnector Revenue as a consequence of:
 - (a) the assessment of the licensee's Assessed Revenue against the Cap Level and Floor Level for each Relevant Assessment Period in accordance with special condition 3 (Cap and Floor Assessment) of this licence;
 - (b) the determination by the Authority of any Within Period Adjustment for each Relevant Partial Assessment Period in accordance with special condition 6 (Within Period Adjustment) of this licence;
 - (c) the determination of any Pass Through Adjustment for each Relevant Assessment Period in accordance with Part A of special condition 7 (Non-Controllable Costs) of this licence;
 - (d) the uplift applied taking account of the timescales of payment; and
 - (e) the trueing-up of the Interconnector Revenue as a consequence of any forecasting and/or reporting errors in previous Relevant Years.

Structure of this condition

3. This condition is structured as follows:
 - (a) Part A of this condition sets out the calculation of the Interconnector Cap And Floor Revenue Adjustment terms for each Relevant Assessment Period and each Relevant Partial Assessment Period (ICF_{ap} and ICF_{pap});
 - (b) Part B of this condition sets out the calculation of the true-up term (TRU_t); and
 - (c) Part C of this condition sets out the calculation of the Interconnector Cap And Floor Revenue Adjustment term for each Relevant Year (ICF_t) and sets out the obligations on the licensee to set out an appropriate methodology for the calculation of this term.

Part A: Calculation of the Interconnector Cap And Floor Revenue Adjustment terms for each Relevant Assessment Period and each Relevant Partial Assessment Period (ICF_{ap} and ICF_{pap})

4. For each Relevant Assessment Period, the value of the ICF_{ap} term shall be calculated in accordance with the following formula:

$$ICF_{ap} = (CFA_{ap} + PTA_{ap}) + TRU_t$$

5. For each Relevant Partial Assessment Period (for any Within Period Adjustment), the value of the ICF_{pap} term shall be calculated in accordance with the following formula:

$$ICF_{pap} = WPA_{pap} + TRU_t$$

Where:

CFA_{ap}	means the Cap and Floor Adjustment term for Relevant Assessment Period ap and is calculated in accordance with Part A of special condition 3 of this licence
ICF_{ap} and ICF_{pap}	means the Interconnector Cap And Floor Revenue Adjustment term for Relevant Assessment Period ap or Relevant Partial Assessment Period pap and is determined in accordance with paragraph 4 or paragraph 5 of this condition (as appropriate)
PTA_{ap}	means the Pass Through Adjustment term for Relevant Assessment Period ap and is calculated in accordance with Part A of special condition 7 of this licence
TRU_t	means the True-up term for Relevant Year t and is calculated in accordance with Part B of this condition
WPA_{pap}	means the Within Period Adjustment term for Relevant Partial Assessment Period pap and is determined in accordance with the process set out in special condition 6 of this licence

Part B: Calculation of the True-up term (TRU_t)

6. In the event that forecasting or reporting errors occur with respect to the value of the ICF_t term for Relevant Year $t-1$ calculated in accordance with Part C of this condition, the licensee shall submit, for approval by the Authority, a proposed value for the TRU_t term for Relevant Year t to reconcile such errors.
7. Any submission under paragraph 6 shall include:
 - (a) the licensee's proposed value of the TRU_t term;
 - (b) details of how the value of licensee's proposed TRU_t term has been calculated; and
 - (c) details of the forecasting and/or reporting errors identified by the licensee together with such information as may be necessary to demonstrate that the licensee's proposed TRU_t term accurately reconciles such errors.
8. The Authority may either approve the licensee's proposed value of the TRU_t term or specify an alternative value.
9. Any submission under paragraph 6 must be made by a date no later than 15 months after the end of Relevant Year $t-1$ and in any case shall be submitted to the Authority at the same time as the licensee's Annual Cap and Floor RIGs Submission for Relevant Year t . Where the licensee cannot make its submission within that timescale, it may request the Authority to grant a timescale extension.

10. The timescale for submission specified in paragraph 9 shall only be extended where the Authority has agreed in writing to the licensee's request for a timescale extension.

Part C: Calculation of the Interconnector Cap And Floor Revenue Adjustment term for Relevant Year t (ICF_t)

11. The ICF_t term is the term notified to the GB System Operator in accordance with Standard Condition 26 of this licence.
12. The value of the ICF_t term shall be calculated in accordance with the methodology established under paragraphs 13 and 14 of this condition.
13. The licensee shall, as soon as practicable, establish and maintain the ICF_t Methodology in a form approved by the Authority.
14. The ICF_t Methodology shall set out, as a minimum, the licensee's methodology for calculating the proposed value of the ICF_t term taking in to account:
 - (a) the relevant payment timescales prescribed in the CUSC; and
 - (b) the Operational Discount Rate specified in Part I of special condition 3 (Cap and Floor Assessment) of this licence as applied to the relevant payment timescales.
15. The licensee shall notify the GB System Operator of the ICF_t term in accordance with Standard Condition 26 of this licence.
16. The value of the ICF_t term shall be paid by the licensee to the GB System Operator or the GB System Operator to the licensee in accordance with the following:
 - (a) if the value of the ICF_t term is greater than zero (positive value), then the Interconnector Revenue shall be adjusted upwards and accordingly, a sum equal to the magnitude of the ICF_t term shall be paid by the GB System Operator to the licensee in accordance with applicable requirements in the CUSC;
 - (b) if the value of the ICF_t term is less than zero (negative value), then the Interconnector Revenue shall be adjusted downwards and accordingly, a sum equal to the magnitude of the ICF_t term shall be paid by the licensee to the GB System Operator in accordance with applicable requirements in the CUSC; or
 - (c) if the value of the ICF_t term is equal to zero then the Interconnector Revenue shall not be adjusted and accordingly, no associated payment shall be required to be made by the licensee or the GB System Operator.

Special Condition 11: IFA2 Cap And Floor Financial Model Governance

1. This condition sets out the governance provisions for the IFA2 Cap And Floor Financial Model (the “IFA2CFFM”), including the process for introducing amendments to the IFA2CFFM.

Part A: General governance provisions

2. The IFA2CFFM does not form part of this licence.
3. The following specific financial parameters, calculated by or with the use of the IFA2CFFM, once determined by the Authority, shall become part of the licence:
 - (a) Post Construction Adjustment At Cap term (PCAC);
 - (b) Post Construction Adjustment At Floor term (PCAF);
 - (c) Opex Reassessment Adjustment At Cap term (ORAC); and
 - (d) Opex Reassessment Adjustment At Floor term (ORAF).
4. In the event of any conflict between the provisions of this licence and the IFA2CFFM, the provisions of this licence shall prevail.
5. If the licensee becomes aware of any conflict between the provisions of this licence and the IFA2CFFM, the licensee shall give written notice of such conflict to the Authority as soon as reasonably practicable.
6. Where the Authority identifies a conflict between the provisions of this licence and the IFA2CFFM or is notified of any such conflict by the licensee in accordance with paragraph 5 of this condition, the Authority may take such actions as it considers appropriate to resolve such conflict, including:
 - (a) directing amendments to the provisions of this licence in accordance with the relevant statutory licence modification process pursuant to section 11A of the Act; or
 - (b) directing amendments to the IFA2CFFM, in accordance with provisions of Part B of this licence condition.
7. The IFA2CFFM may only be modified by the Authority in accordance with the provisions of Part B of this condition.
8. Pre-defined changes to the IFA2CFFM made by the Authority as part of the normal process by which the Authority carries out the assessment of the Assessed Revenue, in accordance with the special conditions of this licence, will not be considered a modification of the IFA2CFFM.

Part B: Modification of the IFA2CFFM

9. The IFA2CFFM may be modified by the Authority in the following circumstances:

- (a) to address any conflict between the provisions of this licence and the IFA2CFFM as described in paragraph 6 of this condition; or
 - (b) where the Authority deems any such modifications to be necessary to further the objectives of the IFA2CFFM, which are to facilitate the process by which the Authority effects adjustments to the Cap Level, the Floor Level and the licensee's Interconnector Revenue, in accordance with the special conditions of this licence; or
 - (c) where the Authority, after establishing the Preliminary Cap Level and Preliminary Floor Level for the licensee, deems any such modifications to be necessary to correct an error of functionality discovered within the IFA2CFFM.
10. Without prejudice to paragraph 12, the Authority may issue a direction to modify the IFA2CFFM - in such manner, and to such extent, that it considers necessary to address the issues described in paragraph 9 of this condition.
11. Any direction issued under paragraph 10 of this condition shall not have effect unless, before it is made, the Authority has given notice to the licensee:
- (a) stating that it proposes to modify the IFA2CFFM:
 - (i) specifying the date on which it proposes that the provisions of the modified IFA2CFFM should take effect;
 - (ii) setting out the text of the modified IFA2CFFM and the Authority's reasons for the proposed modifications;
 - (iii) specifying the time (which must not be less than a period of 28 days from the date of the notice) within which representations may be made;
 - (b) considered any representations, by any relevant stakeholder, in response to the notice that are duly made and not withdrawn; and
 - (c) published any notice issued under this paragraph on the Authority's website.
12. Where the Authority and the licensee agree that the modification to IFA2CFFM specified in paragraph 10 is immaterial, then the Authority may, without following the process described in paragraph 11, modify the IFA2CFFM after a bilateral consultation with the licensee.

Part C: Availability and updating of IFA2CFFM

13. In relation to the publication and availability of the IFA2CFFM, the Authority will:
- (a) ensure that any relevant modifications under paragraph 10 of the IFA2CFFM are promptly incorporated into the version of the IFA2CFFM maintained on the Authority's website; and
 - (b) maintain and publish an up-to-date schedule of any modifications referred to in paragraph 7 of this condition.

Part D: Interpretation

14. For the purposes of this condition:

<p>“IFA2 Cap And Floor Financial Model” (IFA2CFFM)</p>	<p>means the model of that name that:</p> <ul style="list-style-type: none">(a) was published with the Authority’s “Decision on the Final Project Assessment of the IFA2 interconnector” of 17 July 2018;(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 Floor Level and the licensee’s Interconnector Revenue in accordance with the special conditions of this licence; and <p>which may be modified in accordance with Part B of this condition.</p>
<p>PCAC</p>	<p>means the Post Construction Adjustment At Cap term and is determined in accordance with Part C of special condition 2 of this licence</p>
<p>PCAF</p>	<p>means the Post Construction Adjustment At Floor term and is determined in accordance with Part C of special condition 2 of this licence</p>
<p>ORAC</p>	<p>means the Opex Reassessment Adjustment At Cap term and is determined in accordance with Part D of special condition 2 of this licence</p>
<p>ORAF</p>	<p>means the Opex Reassessment Adjustment At Floor term and is determined in accordance with Part D of special condition 2 of this licence</p>