Gas Transporter Licence

Special Conditions

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# Interpretation and Definitions

## Interpretation and definitions

Introduction

* + 1. The purpose of this condition is to provide for the special conditions of this licence:
       1. some provisions of general interpretation; and
       2. the meaning of the defined terms, which are capitalised throughout the special conditions.

### Interpretation

* + 1. Wherever the subscript ‘t’ is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.
    2. A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.
    3. In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are explained in those special conditions.
    4. Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
       1. giving it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and
       2. revoking or amending it after consulting with the licensee.
    5. Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
    6. Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
    7. Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.
    8. Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
    9. Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.

### Definitions

* + 1. In these Special Conditions the following defined terms have the meanings given in the table below.

[Insert table here]

## Amendments to the Standard Special Conditions for the purposes of this licence

Introduction

* + 1. The purpose of this licence condition is to modify the Standard Special Conditions in its application for the purposes of this licence.

### Modifications

* + 1. For the purposes of this licence the definition of “supply of transportation services” in Standard Special Condition A3 (Definitions and Interpretation) is to be read with the modifications set out in the following table:

|  |  |  |
| --- | --- | --- |
| Standard Special Condition | Provision | Modification |
| A3 (Definitions and Interpretation) | Sub-paragraph (c)(i) | Substitute "(c)(i) facilitating balancing management; and". |
| Standard Special Condition A4 (Charging – General) | Paragraph 1(a) | After the words “specified descriptions of gas shippers” insert the words “and/or DN operators as appropriate”. |
| Standard Special Condition A4 (Charging – General) | Paragraph 2 | For the words “NOT USED” substitute the following at sub-paragraphs (a) and (b):  "(a) use its reasonable endeavours:  i. not to make any changes to the charges or reserve prices mentioned in paragraph 1 more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and  ii. not to make any changes to charges or reserve prices in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) more frequently than once in each formula year and for such changes to take place on 1 October in each formula year or at such other time as the Authority may direct;  (b) subject to sub-paragraph (a) above, if the licensee makes changes to the charges or reserve prices mentioned in paragraph 1 on dates other than those specified in paragraph (a)(i) and (a)(ii), inform the Authority in writing as soon as is reasonably practicable after the decision is made to make such a change to charges, and, in any event, not later than three months after the charge change has been implemented:  stating the reasons for this change; and  iii. clearly identifying whether any of the information provided as part of the statement of reasons for the change is of a confidential nature;”. |
| Standard Special Condition A5 (Obligations as Regard Charging Methodology) | Paragraph 2A(b) | For the words “NOT USED” substitute:  “(b) use its reasonable endeavours:  i. not to make any changes to the charging methodology more frequently than twice in each formula year and for such changes to take place on 1 April and/or 1 October in each formula year or at such other time as the Authority may direct; and  ii. only to make changes to the charging methodology in relation to NTS exit capacity (including NTS exit flat capacity and NTS exit flow flexibility) on 1 October in each formula year or at such other time as the Authority may direct”. |
| Standard Special Condition A5 (Obligations as Regard Charging Methodology) | Paragraph 11 | Delete the word “and” at the end of the definition of “transportation arrangements” and insert the phrase “; and” at the end of the definition of “supply of transportations services”. |

# Revenue Restriction

## Transportation Owner Revenue Restriction

Introduction

* + 1. The purpose of this condition is to ensure that NTS Transportation Owner Charges are set to aim to recover no more than Allowed Revenue.
    2. This condition also provides for the calculation of the term ARt (the Allowed Revenue term).

### Licensee’s obligation

* + 1. The licensee must, when setting NTS Transportation Owner Charges use its best endeavours to ensure that Recovered Revenue does not exceed Allowed Revenue.

### Formula for calculating the TO Recovered Revenue term (RRt)

* + 1. The value of TO Recovered Revenue () is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means the amount of revenue that results from the sale of the following types of Entry Capacity:   * + - 1. Non-incremental Obligated Entry Capacity (ahead of the gas Day); and       2. Funded Incremental Obligated Entry Capacity (ahead of the gas Day); |
|  | means the amount of NTS revenue that results from the sale of the following types of Exit Capacity:   * + - 1. Non-incremental Obligated Exit Capacity (ahead of the gas Day); and       2. Funded Incremental Obligated Exit Capacity (ahead of the gas Day); |
|  | means the amount of revenue that results from:   * + - 1. charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General); and       2. payments made by the licensee to Gas Shippers and DN Operators,       3. other than revenue earned by the licensee through TOREntCt and TORExCt. |

### Formula for calculating the Allowed Revenue term (ARt)

* + 1. The value of ARt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means Calculated Revenue, derived in accordance with Part D; |
|  | is the price index calculated in accordance with Part E; |
|  | means the AIP adjustment term and is derived in accordance with Special Condition 2.2 (AIP adjustment term); |
|  | means the K correction term and is derived in accordance with Part A of Special Condition 2.3 (Correction and penalty terms); and |
|  | means the recovery penalty term and is derived in accordance with Part B of Special Condition 2.3 (Correction and penalty terms). |

* + 1. The value of will be published pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model). The value of is not revised following publication.

### Formula for calculating the Calculated Revenue term (Rt)

* + 1. The value of Rt is derived in accordance with the following formula:

where all values are as published pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model) and

|  |  |
| --- | --- |
|  | means fast money and has the value set out in sheet X of the GD2 Price Control Financial Model); |
|  | is derived in accordance with Special Condition 6.1 (Pass through expenditure); |
|  | means depreciation and has the value set out in sheet X of the GD2 Price Control Financial Model); |
|  | means return and has the value set out in sheet X of the GD2 Price Control Financial Model; |
|  | means return adjustment and has the value set out in sheet X of the GD2 Price Control Financial Model; |
|  | means equity issuance costs and has the value set out in sheet X of the GD2 Price Control Financial Model; |
|  | means directly remunerated services and has the value set out in sheet X of the GD2 Price Control Financial Model; |
|  | is derived in accordance with Special Condition 4.1(Total output delivery incentive performance); |
|  | is derived in accordance with Special Condition 5.1 (Total innovation allowance); |
|  | is derived in accordance with Special Condition 7.1 (Total legacy adjustments); |
|  | has the value set out in sheet X of the GD2 Price Control Financial Model; and |
|  | means the tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.4 (Tax Review Adjustment). |

### Formula for calculating the Price Index term (PIt)

* + 1. The value of PIt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i* | refers to Regulatory Years on or after 2020/21 and up to year t; |
| *RPIt* | means the arithmetic average of the Retail Prices Index between each of the twelve months from 1 April to 31 March in Regulatory Year t; and |
| *CPIHi* | means the arithmetic average of the Consumer Prices Index Including Owner Occupiers' Housing Costs between each of the twelve months from 1 April to 31 March in Regulatory Year i. |

## Transportation Owner AIP adjustment term (ADJt)

Introduction

* + 1. The purpose of this condition is to calculate the term ADJt (the AIP adjustment term), which feeds into Allowed Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction)

### Formula for calculating the AIP adjustment term (ADJt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of ADJ is zero.
    2. For subsequent Regulatory Years, the value of ADJt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i, j* | refer to Regulatory Years between 2021/22 and Regulatory Year t-1; |
| *PIi* | is the price index calculated in accordance with Part E of Special Condition 2.1; |
|  | means Calculated Revenue for Regulatory Year i, derived in accordance with Part D of Special Condition 2.1; |
|  | means the adjusted revenue for Regulatory Year *i*, derived in accordance with Part B. |
| *Ij* | means the average value of SONIA between 1 April and 31 March in Regulatory Year j (inclusive). |

### Formula for adjusted revenue (ADJRt)

* + 1. The value of *ADJRt* is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *t|t-1* | means for Regulatory Year t, as of the AIP publication in Regulatory Year t-1. |
|  | means Calculated Revenue, derived in accordance with Part D of Special Condition 2.1; |
|  | is the price index calculated in accordance with Part E of Special Condition 2.1; and |
|  | means the AIP adjustment term and is derived in accordance with Part A. |

## Transportation Owner correction and penalty terms

Introduction

* + 1. The purpose of this condition is to calculate the term Kt (the correction term), which feeds into Allowed Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction). The effect of which is to make the appropriate adjustment to Allowed Revenue to reflect historical deviations between Recovered Revenue and Calculated Revenue.
    2. It also calculates the term RPt (the recovery penalty term), which also feeds into Allowed Revenue in Special Condition 2.1. The effect of which is to penalise levels of Recovered Revenue in excess of 6% difference from a target published by the Authority prior to Regulatory Year t.

### Formula for calculating the correction term (Kt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of K is zero.
    2. For subsequent Regulatory Years, the value of Kt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i, j* | refer to Regulatory Years between 2021/22 and Regulatory Year t-1; |
|  | means the adjusted revenue for Regulatory Year *i*, derived in accordance with Part B of Special Condition 2.2 (AIP adjustment term); |
| *RPi* | means the recovery penalty derived in accordance with Part B; |
|  | means the Recovered Revenue for Regulatory Year *i* and is derived in accordance with Part B of Special Condition 2.1; and |
| *Ij* | means the average value of SONIA between 1 April and 31 March in Regulatory Year j (inclusive). |

### Recovery penalty (RPt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of RP is zero.
    2. For subsequent Regulatory Years, the value of RPt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| ARt | means Allowed Revenue and is derived in accordance with Part C of Special Condition 2.1; and |
| RRt | means Recovered Revenue and is derived in accordance with Part B of Special Condition 2.1. |

## Transportation Owner Tax Review Adjustment (TAXAt)

Introduction

* + 1. The purpose of this condition is to calculate the term TAXAt (the Tax Review adjustment term), which feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect is to adjust Calculated Revenue following a review of differences between the licensee’s Calculated Tax Allowance and its Actual Corporation Tax Liability.
    3. It also explains the process the Authority will follow when directing any change as a result of the review.

### Undertaking a Tax Review

* + 1. The Authority may undertake a Tax Review of any material differences between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability.
    2. Where the Authority notifies the licensee that it has decided to undertake a Tax Review and given the reasons for that decision, the licensee must:
       1. procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee’s Calculated Tax Allowance and its Actual Corporation Tax Liability and provide a report to the Authority;
       2. carry out any steps specified by the Authority for the procurement of an Appropriately Qualified Independent Examiner and comply with any requirements specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
       3. ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, specified by the Authority; and
       4. submit to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority.
    3. Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
       1. direct any adjustments to the value of the TAXAt term that it considers should be made, and
       2. specify the Regulatory Years to which those adjustments relate.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 2.4.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations on the proposed direction may be made, which will not be less than 28 days.

## System Operator Revenue Restriction

Introduction

* + 1. The purpose of this condition is to ensure that NTS System Operation Charges are set to aim to recover no more than SO Allowed Revenue.
    2. This condition also provides for the calculation of the term (the SO Allowed Revenue term).

### Licensee’s obligation

* + 1. The licensee must, when setting NTS System Operation Charges use its best endeavours to ensure that SO Recovered Revenue does not exceed SO Allowed Revenue.

### Formula for calculating the SO Recovered Revenue term ()

* + 1. The value of SO Recovered Revenue () is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means the amount of revenue that results from the sale of the following types of Entry Capacity:  Interruptible Entry Capacity;  Non-obligated Entry Capacity;  Legacy Incremental Entry Capacity; and  all on the Day sales of Non-Incremental Obligated Entry Capacity and Funded Incremental Obligated Entry Capacity; |
|  | means the amount of revenue that results from the sale of the following types of Exit Capacity:  Off-peak Exit Capacity;  Non-obligated Exit Capacity;  Legacy Incremental Exit Capacity; and  all on the Day sales of Non-Incremental Obligated Exit Capacity and Funded Incremental Obligated Exit Capacity; |
|  | means the amount of revenue that results from charges levied by the licensee on Gas Shippers and DN Operators pursuant to Standard Special Condition A4 (Charging – General) in respect of NTS SO Activities. This will include revenue from charges to recover costs incurred by the licensee and net payments made to or by the licensee in respect of reducing the costs arising from NTS System Operation Activities other than revenue earned by the licensee through:  ;  ;  ; and  revenues received by the licensee from the sale of gas purchased by the licensee in respect of its use of Constrained Storage Facilities in order to avoid Transportation Constraints; |
|  | means the amount of revenue derived by the licensee through associated system operator charges and is derived in accordance with the following formula:  *= + + F + +*  where: |
|  | means net revenue derived by the licensee from Balancing Neutrality Charges; |
|  | means the revenue derived by the licensee from System Entry Overrun Charges; |
|  | means the revenue derived by the licensee from charges levied on Gas Shippers and DN Operators in respect of any Failure To Interrupt; |
|  | means the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges; and |
|  | has the meaning given in paragraph 4.4.6 of Special Condition 4.4 (Entry Capacity and Exit Capacity Constraint Management). |

### Formula for calculating the SO Allowed Revenue term (SOARt)

* + 1. The value of SOARt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means SO Calculated Revenue and is derived in accordance with Part D; |
|  | is the price index calculated in accordance with Part E of Special Condition 2.1; |
|  | means the SO AIP adjustment term and is derived in accordance with Special Condition 2.6 (System Operator AIP adjustment term); |
|  | means the SO K correction term and is derived in accordance with Part A of Special Condition 2.7 (System Operator correction and penalty term); and |
|  | means the SO recovery penalty term and is derived in accordance with Part B of Special Condition 2.7 (System Operator correction and penalty term). |

* + 1. The value of will be published pursuant to Part B of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model). The value of is not revised following publication.

### Formula for calculating the SO Calculated Revenue term (SORt)

* + 1. The value of SORt is derived in accordance with the following formula:

where all values are as published pursuant to Part A of Special Condition 8.2 (Annual Iteration Process for the GD2 Price Control Financial Model) and

|  |  |
| --- | --- |
|  | means fast money and has the value set out in sheet X of the GT2 Price Control Financial Model); |
|  | is derived in accordance with Special Condition 6.3 (System Operator pass through items); |
|  | means depreciation and has the value set out in sheet X of the GT2 Price Control Financial Model); |
|  | means return and has the value set out in sheet X of the GT2 Price Control Financial Model; |
|  | means return adjustment and has the value set out in sheet X of the GT2 Price Control Financial Model; |
|  | means equity issuance costs and has the value set out in sheet X of the GT2 Price Control Financial Model; |
|  | means directly remunerated services and has the value set out in sheet X of the GT2 Price Control Financial Model; |
|  | is derived in accordance with Special Condition 4.4 (Entry Capacity and Exit Capacity Constraint Management); |
|  | is derived in accordance with Special Condition 4.5(System Operator external incentive, costs and revenues); |
|  | is derived in accordance with Special Condition 5.1 (Total innovation allowance); |
|  | is derived in accordance with Special Condition 7.1 (Total legacy adjustments); |
|  | has the value set out in sheet X of the GT2 Price Control Financial Model; and |
|  | means the SO tax allowance adjustment term and has the value zero, unless the Authority directs otherwise under Special Condition 2.4 (System Operator Tax Review Adjustment). |

## System Operator AIP adjustment term (SOADJt)

Introduction

* + 1. The purpose of this condition is to calculate the term SOADJt (the SO AIP adjustment term), which feeds into SO Allowed Revenue in Special Condition 2.5 (System Operator Revenue Restriction)

### Formula for calculating the SO AIP adjustment term (SOADJt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of SOADJ is zero.
    2. For subsequent Regulatory Years, the value of SOADJt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i, j* | refer to Regulatory Years between 2021/22 and Regulatory Year t-1; |
| *PIi* | is the price index calculated in accordance with Part E of Special Condition 2.1 (Transportation Owner Revenue Restriction); |
|  | means SO Calculated Revenue for Regulatory Year i, derived in accordance with Part D of Special Condition 2.5; |
|  | means the adjusted revenue for Regulatory Year *i*, derived in accordance with Part B; and |
| *Ij* | means the average value of SONIA between 1 April and 31 March in Regulatory Year j (inclusive). |

### Formula for adjusted revenue (SOADJRt)

* + 1. The value of *SOADJRt* is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *t|t-1* | means for Regulatory Year t, as of the AIP publication in Regulatory Year t-1. |
|  | means SO Calculated Revenue and is derived in accordance with Part D of Special Condition 2.5; |
|  | is the price index calculated in accordance with Part E of Special Condition 2.1; and |
|  | means the SO AIP adjustment term and is derived in accordance with Part A. |

## System Operator correction and penalty terms

Introduction

* + 1. The purpose of this condition is to calculate the term SOKt (the SO correction term), which feeds into Allowed Revenue in Special Condition 2.5 (System Operator Revenue Restriction). The effect of which is to make the appropriate adjustment to SO Allowed Revenue to reflect historical deviations between SO Recovered Revenue and SO Calculated Revenue.
    2. It also calculates the term SORPt (the SO recovery penalty term), which also feeds into SO Allowed Revenue in Special Condition 2.. The effect of which is to penalise levels of SO Recovered Revenue in excess of 6% difference from a target published by the Authority prior to Regulatory Year t.

### Formula for calculating the SO correction term (SOKt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of SOK is zero.
    2. For subsequent Regulatory Years, the value of SOKt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *i, j* | refer to Regulatory Years between 2021/22 and Regulatory Year t-1; |
|  | means the SO adjusted revenue for Regulatory Year *i*, derived in accordance with Part B of Special Condition 2.6 (System Operator AIP adjustment term); |
| *SORPi* | means the SO recovery penalty derived in accordance with Part B; |
|  | means the SO Recovered Revenue for Regulatory Year *i* and is derived in accordance with Part B of Special Condition 2.5; and |
| *Ij* | means the average value of SONIA between 1 April and 31 March in Regulatory Year j (inclusive). |

### Recovery penalty (SORPt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of RP is zero.
    2. For subsequent Regulatory Years, the value of RPt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *SOARt* | means SO Allowed Revenue and is derived in accordance with Part C of Special Condition 2.5; and |
| *SORRt* | means SO Recovered Revenue and is derived in accordance with Part B of Special Condition 2.5. |

## System Operator Tax Review Adjustment (SOTAXAt)

Introduction

* + 1. The purpose of this condition is to calculate the term SOTAXAt (the SO Tax Review adjustment term), which feeds into SO Calculated Revenue in Special Condition 2.5 (System Operator Revenue Restriction).
    2. The effect is to adjust SO Calculated Revenue following a review of differences between the licensee’s SO Calculated Tax Allowance and its Actual Corporation Tax Liability.
    3. It also explains the process the Authority will follow when directing any change as a result of the review.

### Undertaking a Tax Review

* + 1. The Authority may undertake a Tax Review of any material differences between the licensee's SO Calculated Tax Allowance and its Actual Corporation Tax Liability.
    2. Where the Authority notifies the licensee that it has decided to undertake a Tax Review and given the reasons for that decision, the licensee must:
       1. procure an Appropriately Qualified Independent Examiner to examine the differences between the licensee’s SO Calculated Tax Allowance and its Actual Corporation Tax Liability and provide a report to the Authority;
       2. carry out any steps specified by the Authority for the procurement of an Appropriately Qualified Independent Examiner and comply with any requirements specified by the Authority as to the terms of appointment of the Appropriately Qualified Independent Examiner;
       3. ensure that the Appropriately Qualified Independent Examiner carries out the work within the scope, and by the date, specified by the Authority; and
       4. submit to the Authority a report from the Appropriately Qualified Independent Examiner in the form, and containing the content, specified by the Authority.
    3. Following receipt of the Appropriately Qualified Independent Examiner's report, the Authority will:
       1. direct any adjustments to the value of the SOTAXAt term that it considers should be made, and
       2. specify the Regulatory Years to which those adjustments relate.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 2.8.6, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations on the proposed direction may be made, which will not be less than 28 days.

# Totex Allowance Adjustments

## Baseline Network Risk Output

Introduction

* + 1. This condition sets out the requirements on the licensee in respect of Baseline Network Risk Output and specifies the Baseline Allowed NARM Expenditure associated with that output, which contributes to the calculation of the Totex Allowance.
    2. It also sets out the requirements on the licensee in respect of the NARM Closeout Report.

### Requirement to deliver Baseline Network Risk Output

* + 1. By the end of the Price Control Period, the licensee must deliver its Baseline Network Risk Output either:
       1. in accordance with its Network Asset Risk Workbook, or
       2. through Materially Equivalent Network Risk Outputs.

### Baseline Allowed NARM Expenditure for Baseline Network Risk Output

* + 1. The licensee's Baseline Allowed NARM Expenditure for delivering its Baseline Network Risk Output is set out in Appendix 1.

### Process for Rebasing Baseline Network Risk Output

* + 1. Rebased Baseline Network Risk Output submitted in accordance with Part C of Special Condition 9.2 (Network Asset Risk Metric Methodology) must:
       1. be calculated using the NARM Methodology as approved under [paragraph 9.2.8 of Special Condition 9.2 (Network Asset Risk Metric Methodology);
       2. be representative of the same assumed volume and type of intervention for each NARM Asset Category as assumed in the setting of the Baseline Network Risk Output;
       3. be as Equally Challenging as the Baseline Network Risk Output; and
       4. be in the same format as the Network Asset Risk Workbook.
    2. Where the licensee proposes Rebased Baseline Network Risk Output in accordance with Part C of Special Condition 9.2, the Authority will consider the proposal and by direction either:
       1. approve it;
       2. approve it with adjustments; or
       3. reject it.
    3. Before issuing a direction under paragraph 3.4.6, the Authority will publish on the Authority’s Website:
       1. the text of the proposed direction;
       2. the date on which the Authority intends the proposed direction to come into effect;
       3. the reasons why it proposes to issue the direction; and
       4. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    4. Any Rebased Baseline Network Risk Output approved by the Authority under paragraph 3.1.7(a) or (b) will supersede the Baseline Network Risk Output for the purpose of this condition.

### Requirement to provide the NARM Closeout Report

* + 1. By 31 October 2026, the licensee must provide to the Authority the NARM Closeout Report, together with detailed supporting evidence, which sets out the following:
       1. the licensee’s Outturn Network Risk Outputs;
       2. the costs incurred by the licensee in delivering its Outturn Network Risk Outputs and a breakdown of those costs in the manner specified by the Authority by direction;
       3. details of any Material Non-intervention Risk Changes, including the associated impact on Baseline Network Risk Output or Outturn Network Risk Outputs;
       4. the licensee’s view of delivered cost efficiencies relative to Baseline Allowed NARM Expenditure for schemes or programmes of work assumed in the calculation of its Baseline Network Risk Output, and evidence that those efficiencies have not been offset by higher costs elsewhere; and
       5. justification cases for any portions of over-delivery or under-delivery against Baseline Network Risk Output that the licensee considers to be justified.

Baseline Allowed NARM Expenditure for delivering Baseline Network Risk Output

|  |  |
| --- | --- |
| Relevant Year | Baseline Allowed NARM Expenditure |
| 2021/22 |  |
| 2022/23 |  |
| 2023/24 |  |
| 2024/25 |  |
| 2025/26 |  |
| RIIO-2 Total |  |

## Cyber Resilience operational technology Re-opener and Price Control Deliverable (CROTt)

Introduction

* + 1. The purpose of this condition is to calculate the term CROTt (the Cyber Resilience Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. require the licensee to submit a Cyber Resilience OT Plan at the start of the Price Control Period;
       3. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       4. provide for an assessment of the Price Control Deliverable including a Use It Or Lose It Adjustment.
    3. This condition also:
       1. explains the process the Authority will follow when directing any changes under paragraphs 3.2.8, 3.2.9, 3.2.13 and 3.2.15; and
       2. requires the licensee to report regularly to the Authority.

### Formula for calculating the Cyber Resilience OT Price Control Deliverable term (CROTt)

* + 1. The value of is derived in accordance with the following formula:

CROTt = CROAt - CRORt

where:

|  |  |
| --- | --- |
| CROAt | means the sum of allowances in Appendix 1; and |
| CRORt | has the value zero unless otherwise directed by the Authority in accordance with Part F. |

### What must the licensee deliver?

* + 1. The licensee must deliver the outputs in accordance with, and by the delivery dates specified in, Appendix 1.

### Requirement to submit a Cyber Resilience OT Plan

* + 1. The licensee must submit to the Authority a Cyber Resilience OT Plan Between 1 April 2021 and 8 April 2021.
    2. The Cyber Resilience OT Plan submitted under paragraph 3.2.6 must:
       1. include statements:
          1. giving details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to OT, including measured risk reduction or improved CAF Outcomes on the licensee's network and information systems;
          2. setting out any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
          3. explaining how any amendments requested would improve cyber resilience in relation to OT, including measured risk reduction and improved CAF Outcomes on the licensee's network and information systems; and
          4. explaining the basis of the calculations for any amendments requested to allowances; and
       2. provide detailed supporting evidence including the items specified in the Re-opener Guidance and Application Requirements Document.
    3. The Authority will by direction make any amendments to Appendix 1 as a result of the submission of a Cyber Resilience OT Plan under paragraph 3.2.6.

### Cyber Resilience OT Re-opener

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where it considers there are:
       1. new activities capable of improving cyber resilience in relation to OT, including measured risk reduction or improved CAF Outcomes on the licensee's network and information systems;
       2. changes to levels of risks or threats relating to cyber resilience in relation to OT, that take the licensee outside of its organisational risk appetite; or
       3. changes to statutory or regulatory requirements relating to cyber resilience in relation to OT.
    2. An application to the Authority under paragraph 3.2.9 must be made Between 25 January 2023 and 31 January 2023, unless the Authority by direction permits applications during specified later periods.
    3. An application under paragraph 3.2.9 must be made in writing and must:
       1. give details of the circumstances referred to in paragraph 3.2.9 (a), (b) or (c) that the licensee considers exist;
       2. set out any amendments requested to the outputs, delivery dates or allowances set out in Appendix 1;
       3. explain how any amendments requested would improve cyber resilience in relation to OT, including measured risk reduction or improved CAF Outcomes on the licensee's network and information systems;
       4. explain the basis of the calculations for any amendments requested to allowances; and
       5. provide detailed supporting evidence as set out in the Re-opener Guidance and Application Requirements Document.
    4. An application under paragraph 3.2.9 must:
       1. relate to circumstances of the type referred to in paragraph 3.2.9 (a), (b) or (c) that have developed since the licensee submitted its Cyber Resilience OT Plan under paragraph 3.2.6;
       2. take account of any allowed expenditure, which can be avoided as a result of the change; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered re-opener

* + 1. The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 1 without an application being made under paragraph 3.5.9, where it considers that circumstances of the type referred to in paragraph XX.9 (a), (b) or (c).
    2. circumstances exist that create an unreasonable degree of risk in relation to cyber resilience. In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (CRORt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRORt where the licensee has not Fully Delivered an output in Appendix 1.

### Reporting Requirements

* + 1. Unless the Authority otherwise directs, the licensee must submit reports to the Authority on the days, and in relation to the periods, set out in Appendix 2.
    2. A report submitted under paragraph 3.2.16 must be in a form approved by the Authority and include:
       1. a summary of progress against Improvement Plan key milestones;
       2. a summary of developments against the licensee's Price Control Deliverable project plans;
       3. the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to OT, including risk reduction or improved CAF Outcomes;
       4. a description of how the licensee has considered any guidance provided by the Authority;
       5. a summary of updated CAF Outcomes; and
       6. detailed supporting evidence.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.2.8, 3.2.9, 3.2.13 or 3.2.15, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.2.8, 3.2.9 or 3.2.13 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.2.15 will set out the value of the CRORt term and the Regulatory Years to which that value relates.

Cyber Resilience OT Price Control Deliverables

(£m)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Outputs | Delivery Date | Allowance | | | | |
|  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
| Output X |  |  |  |  |  |  |
| Output Y |  |  |  |  |  |  |
| Output Z |  |  |  |  |  |  |

Report submission dates and the associated periods to be reported on

|  |  |
| --- | --- |
| Dates on which reports must be submitted annually from 31 July 2021 to 30 April 2026 | Associated periods to be reported on |
| 31 January | 1 October to 31 December |
| 30 April | 1 January to 31 March |
| 31 July | 1 April to 30 June |
| 31 October | 1 July to 30 September |

## Cyber Resilience information technology Re-opener and Price Control Deliverable (CRITt)

Introduction

* + 1. The purpose of this condition is to calculate the term CRITt (the Cyber Resilience Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. require the licensee to submit a Cyber Resilience IT Plan at the start of the Price Control Period;
       3. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       4. provide for an assessment of the Price Control Deliverable.
    3. This condition also:
       1. explains the process the Authority will follow when directing any changes under paragraph 3.3.8, 3.3.9, 3.3.13 and 3.3.15; and
       2. requires the licensee to report regularly to the Authority.

### Formula for calculating the Cyber Resilience IT Price Control Deliverable term (CRITt)

* + 1. The value of CRITt is derived in accordance with the following formula:

CRITt = CRIAt - CRIRt

where:

|  |  |
| --- | --- |
| CRIAt | means the sum of allowances in Appendix 1; and |
| CRIRt | has the value zero unless otherwise directed by the Authority in accordance with Part F. |

### What must the licensee deliver?

* + 1. The licensee must deliver the outputs in accordance with, and by the delivery dates specified in, Appendix 1.

### Requirement to submit a Cyber Resilience IT Plan

* + 1. The licensee must submit to the Authority a Cyber Resilience IT Plan Between 1 April 2021 and 8 April 2021.
    2. The Cyber Resilience IT Plan submitted under paragraph 3.3.6 must:
       1. include statements:
          1. giving details of any proposed activities that the licensee considers would be capable of improving cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems;
          2. setting out any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
          3. explaining how any amendments requested would improve cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems; and
          4. explaining the basis of the calculations for any amendments requested to allowances; and
       2. provide detailed supporting evidence including the items specified in the Re-opener Guidance and Application Requirements Document.
    3. The Authority will by direction make any amendments to Appendix 1 as a result of the submission of a Cyber Resilience IT Plan under paragraph 3.3.6.

### Cyber Resilience IT Re-opener

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where it considers there are:
       1. new activities capable of improving cyber resilience in relation to IT, including measured risk reduction in respect to the licensee's network and information systems;
       2. changes to levels of risks or threats relating to cyber resilience in relation to IT, that take the licensee outside of its organisational risk appetite; or
       3. changes to statutory or regulatory requirements relating to cyber resilience in relation to IT.
    2. The licensee may only apply to the Authority under paragraph 3.3.9 Between 25 January 2023 and 31 January 2023, or during such later periods as the Authority may direct.
    3. An application under paragraph 3.3.9 must be made in writing and must:
       1. give details of the circumstances referred to in paragraph 3.3.9 (a), (b) or (c) that the licensee considers exist;
       2. set out any amendments requested to the outputs, delivery dates or allowances set out in Appendix 1;
       3. explain how any amendments requested would improve cyber resilience in relation to IT, including measured risk reduction on the licensee's network and information systems;
       4. explain the basis of the calculations for any amendments requested to allowances; and
       5. include detailed supporting evidence as set out in the Re-opener Guidance and Application Requirements Document.
    4. An application under paragraph 3.3.9 must:
       1. relate to circumstances of the type referred to in paragraph 3.3.9 (a), (b) or (c) that have developed since the licensee submitted its Cyber Resilience IT Plan under paragraph 3.3.6;
       2. take account of any allowed expenditure, which can be avoided as a result of the change; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered re-opener

* + 1. The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 1 without an application being made under paragraph 3.6.9, where it considers that:
       1. circumstances of the type referred to in paragraph XX.9 (a), (b) or (c) exist; or
       2. circumstances exist that create an unreasonable degree of risk in relation to cyber resilience.
    2. In relation to costs, any amendments directed by the Authority will be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (CRIRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CRIRt where the licensee has not Fully Delivered an output in Appendix 1.

### Reporting Requirements

* + 1. Unless the Authority otherwise directs, the licensee must submit reports to the Authority on the days, and in relation to the periods, set out in Appendix 2.
    2. A report submitted under paragraph 3.6.16 must be in the form approved by the Authority and include:
       1. a summary of progress against Improvement Plan key milestones;
       2. a summary of developments against the licensee's Price Control Deliverable project plans;
       3. the licensee's assessment of the impact of the progress and developments referred to in sub-paragraphs (a) and (b) on improving cyber resilience in relation to IT, including risk reduction;
       4. a description of how the licensee has considered any guidance provided by the Authority; and
       5. detailed supporting evidence.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.3.8, 3.3.9, 3.3.13 or 3.3.15, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.3.8, 3.3.9 or 3.3.13 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.3.15 will set out the value of the CRIRt term and the Regulatory Years to which those values relate.

Cyber Resilience IT Price Control Deliverables (£m)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Outputs | Delivery Date | Allowance | | | | |
|  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 |
| Output X |  |  |  |  |  |  |
| Output Y |  |  |  |  |  |  |
| Output Z |  |  |  |  |  |  |

Report submission dates and the associated periods to be reported on

|  |  |
| --- | --- |
| Dates on which reports must be submitted annually from 31 July 2021 to 30 April 2026 | Associated periods to be reported on |
| 31 January | 1 October to 31 December |
| 30 April | 1 January to 31 March |
| 31 July | 1 April to 30 June |
| 31 October | 1 July to 30 September |

## Physical Security Re-opener and Price Control Deliverable (PSUPt)

Introduction

* + 1. The purpose of this condition is to calculate the term PSUPt (the Physical Security Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       3. provide for an assessment of the Price Control Deliverable.
    3. This condition also sets out the process the Authority will follow when directing any changes under paragraphs 3.4.6, 3.4.10 or 3.4.11.

### Formula for calculating the Physical Security Price Control Deliverable term (PSUPt)

* + 1. The value of PSUPt is derived in accordance with the following formula:

PSUPt = PSUPAt - PSUPRt

where:

|  |  |
| --- | --- |
| PSUPAt | means the sum of allowances in Appendix 1; and |
| PSUPRt | has the value of zero unless otherwise directed by the Authority in accordance with Part D. |

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Physical Security Re-opener

* + 1. The licensee may apply to the Authority for a direction amending the outputs, delivery dates or associated allowances in Appendix 1 where government has mandated changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme.
    2. The licensee may only apply to the Authority under paragraph 3.4.6 Between 25 January and 31 January in each of the years 2023, 2024 and 2025, or during such later periods as the Authority may direct.
    3. An application under paragraph 3.4.6 must be made in writing and must:
       1. set out the changes mandated by the government to the scope of work which the licensee is required to carry out under the Physical Security Upgrade Programme to which the application relates;
       2. set out the government’s Critical National Infrastructure classification for each site to which the application relates;
       3. set out any amendments to the outputs, delivery dates or allowances set out in Appendix 1;
       4. explain the basis of the calculations for any amendments requested to allowances; and
       5. provide such detailed supporting evidence, including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    4. An application under paragraph 3.4.6 must:
       1. relate to changes to the scope of work which the licensee is required to carry out under the Physical Security Upgrade Programme, mandated by government on or after 9 December 2019;
       2. take account of any allowed expenditure which can be avoided as a result of the change; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered Re-opener

* + 1. The Authority will also consider directing amendments to the outputs, delivery dates or allowances set out in Appendix 1 where there have been government mandated changes to the scope of work the licensee is required to carry out under the Physical Security Upgrade Programme that:
       1. have been mandated on or after 9 December 2019; and
       2. relate to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of the Physical Security Price Control Deliverable (PSUPRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for PSUPRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.4.6, 3.4.10 or 3.4.11, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.4.6 or 3.4.10 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.4.11 will set out the value of the PSUPRt term and the Regulatory Years to which those values relate.

Physical Security Price Control Deliverable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Site | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |
| Site X | Install PSUP Solution at site to required Government specification. | 31 Mar 2026 |  |  |  |  |  |  |
| Site Y | Install PSUP Solution at site to required Government specification. | 31 Mar 2026 |  |  |  |  |  |  |
| Site Z | Install PSUP Solution at site to required Government specification. | 31 Mar 2026 |  |  |  |  |  |  |

## Non-operational IT Capex Re-opener (NOITt)

Introduction

* + 1. The purpose of this condition is to calculate the term NOITt (the Non-operational capex IT Re-opener term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. require the licensee to submit a Non-operational Capex IT Plan at the start of the Price Control Period; and
       2. establish a Re-opener triggered by either the licensee or the Authority for Non-operational Capex IT.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within the scope of this Re-opener?

* + 1. The licensee may only apply to the Authority for a direction adjusting the value of the NOITt term for any Regulatory Year during the Price Control Period as a result of:
       1. the licensee identifying further evidence in support of Non-operational Capex IT projects that were included in its Business Plan, but in relation to which no allowance has been provided to date;
       2. the licensee identifying activities capable of improving its Non-operational Capex IT; or
       3. any changes to statutory or regulatory requirements relating to Non-operational Capex IT.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.5.4:
       1. Between 1 April 2021 and 7 April 2021;
       2. Between 25 January 2023 and 31 January 2023; and
       3. during such other periods as the Authority may direct.

### How to make an application

* + 1. In order to make an application under paragraph 3.5.4 the licensee must submit to the Authority a Non-operational Capex IT Plan in writing and:
       1. give details of the circumstances referred to in paragraph 3.5.4(a), (b) or (c) that the licensee considers exist;
       2. explain how the adjustment requested would improve its Non-operational Capex IT;
       3. explain the basis of the calculations for the adjustment requested to allowances;
       4. give details of anticipated business benefits derived from any risk reduction as a result of the proposed activities; and
       5. provide such detailed supporting evidence, as is reasonable in the circumstances, which must include:
          1. Improvement Plans;
          2. a prioritisation programme;
          3. a market and industry cost comparison; and
          4. anticipated business benefits derived from any risk reduction as a result of the proposed activities.
    2. An application under paragraph 3.5.4 must:
       1. take account of any allowed expenditure, which can be avoided as a result of the adjustment; and
       2. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered re-opener

* + 1. The Authority will also consider directing an adjustment to the value of the NOITt without an application being made under paragraph 4 where it considers that:
       1. circumstances of the type referred to in paragraph 3.5.4 exist; and
       2. costs were incurred or will be incurred on or after 1 April 2021.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.5.4 or 3.5.8, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out any adjustments to the value of the NOITt term and the Regulatory Years to which those adjustments relate.

## Net Zero Re-opener (NZt)

Introduction

* + 1. The purpose of this condition is to calculate the term NZt (the Net Zero term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener for the Authority to trigger amendments to the value of NZt or the outputs set out in the special conditions of this licence.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What is the scope of this Re-opener?

* + 1. The Authority will consider directing an adjustment to the value of the NZt term or the outputs set out in in the special conditions of this licence where in its opinion:
       1. a Net Zero Development has occurred or is expected to occur;
       2. the Net Zero Development has caused or is expected to cause the cost of Licensed Activity to increase or decrease during the Price Control Period;
       3. the effect of the Net Zero Development on the cost of Licensed Activity is not otherwise provided for in this licence;
       4. the effect of the Net Zero Development has not already been assessed under another Re-opener; and
       5. the effect, or estimated effect, of the Net Zero Development on the cost of Licensed Activity exceeds the materiality threshold set out in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.6.4 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the NZt term and the Regulatory Years to which those adjustments relate; and
       2. any amendments to the outputs in the special conditions of this licence.

Materiality threshold for Net Zero Re-opener

|  |  |
| --- | --- |
| Licensee | Materiality threshold |
|  | 1% of Ex-ante Base Revenue |
|  |  |
|  |  |

## Coordinated Adjustment Mechanism Re-opener (CAMt)

Introduction

* + 1. The purpose of this condition is to calculate the term CAMt (the Coordinated Adjustment Mechanism term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener triggered by the licensee where a more cost-effective opportunity has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction adjusting the value of the CAMt term and the outputs, delivery dates and allowances within [the relevant outputs condition] for any Regulatory Year during the Price Control Period as a result of reaching agreement to reallocate responsibility and associated revenue for a CAM Activity to or from a Partner Licensee.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.17.4 :
       1. [Between 23 May 2022 and 29 May 2022;
       2. Between 20 May 2024 and 26 May 2024]; and
       3. during such other periods as the Authority may direct.

### How to make an application

* + 1. An application under paragraph 3.7.4 must be made in writing to the Authority and:
       1. give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
       2. explain whether the licensee is applying to have the CAM Activity reallocated to them, or from them to a Partner Licensee;
       3. explain why the original allocation of the CAM Activity is no longer the most cost-effective, and why the reallocation is more cost-effective;
       4. give a description of the CAM Activity and associated revenue that the licensee is requesting to reallocate;
       5. set out any amendments requested to the outputs, delivery dates or allowances in [the relevant outputs condition] of this licence and that of the Partner Licensee;
       6. set out the adjustments to the value of the CAMt term for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which those adjustments relate;
       7. explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's CAMt terms or other allowances;
       8. provide such detailed supporting evidence including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
       9. provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of a CAM Activity, including assurance from the licensee and the Partner Licensee.
    2. An application under paragraph 3.7.4 must:
       1. take account of any allowed expenditure by both the licensee and the Partner Licensee, which can be avoided as a result of the change; and
       2. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under 3.7.4 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any amendments to [the relevant outputs condition]; and
       2. any adjustments to the value of the CAMt terms of the licensee and the Partner Licensee and the Regulatory Years to which those adjustments relate.

## Bacton terminal site redevelopment Re-opener and Price Control Deliverable (BTRt)

Introduction

* + 1. The purpose of this condition is to calculate the term BTRt (the Bacton Terminal Redevelopment Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       3. provide for an assessment of the Price Control Deliverable.
    3. This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.8.10 or 3.8.15.

### Formula for calculating the Bacton Terminal Redevelopment Price Control Deliverable term (BTRt)

* + 1. The value of BTRt is derived in accordance with the following formula:

BTRt = BTRAt - BTRRt

where:

|  |  |
| --- | --- |
| BTRAt | means the sum of allowances in Appendix 1; and |
| BTRRt | has the value of zero unless otherwise directed by the Authority in accordance with Part E. |

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Final Option Selection Report

* + 1. Where specified within Appendix 1, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.
    2. The Final Option Selection Report must:
       1. be submitted in writing;
       2. be submitted by the date specified in Appendix 1;
       3. include a proposed Final Preferred Option; and
       4. include detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    3. The Authority will either:
       1. approve the proposed Final Preferred Option;
       2. reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
       3. reject the proposed Final Preferred Option and approve one of the other options; or
       4. reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before a resubmission of the Final Option Selection Report.
    4. Before reaching a decision under paragraph 3.8.8, the Authority will publish on the Authority's Website:
       1. its proposed decision;
       2. the reasons for its proposed decision; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days

### Bacton Terminal Redevelopment Re-opener

* + 1. The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1, where:
       1. the licensee is seeking additional funding to deliver the approved Final Preferred Option; or
       2. the licensee is not intending to deliver the approved Final Preferred Option.
    2. The licensee must apply to the Authority under paragraph 3.8.10 in the application window specified in Appendix 1 or such later periods as the Authority may direct.
    3. An application under paragraph 3.8.10 must be made in writing to the Authority and include:
       1. the actual costs incurred to date;
       2. the amendments requested to the outputs, delivery dates or allowances in Appendix 1;
       3. the reasons for any amendments requested to Appendix 1;
       4. the basis of the calculations for any amendments requested to allowances in Appendix 1; and
       5. detailed supporting evidence including Front End Engineering Design, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    4. An application under paragraph 3.8.10(a) must also include:
       1. fully tendered costs for the approved Final Preferred Option; and
       2. a Front End Engineering Design for the approved Final Preferred Option.
    5. An application under paragraph 3.8.10 must:
       1. take account of any allowed expenditure which can be avoided as a result of the amendments requested; and
       2. relate to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (BTRRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for BTRRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.8.10 or 3.8.15 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.8.10 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.8.15 will set out the value of the BTRRt term and the Regulatory Years to which those values relate.

Bacton Terminal Redevelopment Price Control Deliverable

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Site | Output | Delivery Date | Application Window | Allowance | | | | |  |
|  |  |  |  | 21/  22 | 22/  23 | 23/  24 | 24/  25 | 25/  26 | Total Allowance (All years) |
| Bacton | Final Option Selection Report | 28/02/2022 | 01/08/2022-07/08/2022 | 6.97 |  |  |  |  | 6.97 |

## Compressor emissions Re-opener and Price Control Deliverable (CEPt)

Introduction

* + 1. The purpose of this condition is to calculate the term CEPt (the Compressor Emissions Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. establish a Re-opener for the licensee and Authority to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       3. provide for an assessment of the Price Control Deliverable.
    3. This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.9.10 or 3.9.15.

### Formula for calculating the Compressor Emissions Price Control Deliverable term (CEPt)

* + 1. The value of CEPt is derived in accordance with the following formula:

CEPt = CEPAt - CEPRt

where:

|  |  |
| --- | --- |
| CEPAt | means the sum of allowances in Appendix 1; and |
| CEPRt | has the value of zero unless otherwise directed by the Authority in accordance with Part E. |

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Final Option Selection Report

* + 1. Where specified within Appendix 1, the licensee must submit a Final Option Selection Report to the Authority to review and approve the Final Preferred Option.
    2. The Final Option Selection Report must:
       1. be submitted in writing;
       2. be submitted by the date specified in Appendix 1;
       3. include a proposed Final Preferred Option; and
       4. include detailed supporting evidence including cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    3. The Authority will either:
       1. approve the proposed Final Preferred Option;
       2. reject the proposed Final Preferred Option on the basis that the Authority considers no further work should go ahead at this time;
       3. reject the proposed Final Preferred Option and approve one of the other options; or
       4. reject the proposed Final Preferred Option and set out additional information that should be provided to identify the best option before resubmitting the Final Option Selection Report.
    4. Before reaching a decision under paragraph 8, the Authority will publish on the Authority's Website:
       1. its proposed decision;
       2. the reasons for its proposed decision; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

### Compressor Emissions Re-opener

* + 1. The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1, where:
       1. the licensee is seeking additional funding to deliver the approved Final Preferred Option; or
       2. the licensee is not intending to deliver the approved Final Preferred Option.
    2. The licensee must apply to the Authority under paragraph 3.9.10 in the application window specified in Appendix 1 or such later periods as the Authority may direct.
    3. An application under paragraph 3.9.10 must be made in writing to the Authority and include:
       1. the actual costs incurred to date;
       2. the amendments requested to the outputs, delivery dates or allowances in Appendix 1;
       3. the reasons for any amendments requested to Appendix 1;
       4. the basis of the calculations for any amendments requested to allowances in Appendix 1; and
       5. detailed supporting evidence including Front End Engineering Design, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    4. An application under paragraph 3.9.10(a) must also include:
       1. fully tendered costs for the approved Final Preferred Option; and
       2. a Front End Engineering Design for the approved Final Preferred Option.
    5. An application under paragraph 3.9.10 must:
       1. take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
       2. relate to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (CEPRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for CEPRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 10 or 15 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days
    2. A direction under paragraph 3.9.10 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.9.15 will set out the value of the CEPRt term and the Regulatory Years to which those values relate.

Compressor Emissions Price Control Deliverable

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Site | Output | Delivery Date | Application Window | Allowance | | | | |  |
|  |  |  |  | 21/  22 | 22/  23 | 23/  24 | 24/  25 | 25/  26 | Total Allowance (All years) |
| Hatton | Delivery of Epsilon option | 12/2024 | N/A | 14.36 | 16.57 | 13.14 | 0.934 |  | 45.00 |
| Wormington | Final Option Selection Report | 02/2022 | 01/2024 | 7.92 |  |  |  |  | 7.92 |
| King's Lynn | Final Option Selection Report | 09/2022 | 08/2024 | 8.3 |  |  |  |  | 8.3 |
| St Fergus | Final Option Selection Report | 06/2023 | 05/2025 | 10.98 | 4.71 |  |  |  | 15.7 |
| Peterborough and Huntingdon | Final Option Selection Report | 10/2024 | 09/2026 |  |  | 5.18 |  |  | 5.18 |

## King's Lynn subsidence Re-opener and Price Control Deliverable (KLSt)

Introduction

* + 1. The purpose of this condition is to calculate the term KLSt (the King's Lynn Subsidence Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
       3. provide for an assessment of the Price Control Deliverable.
    3. This condition also sets out the process the Authority will follow when directing any changes under paragraph 3.10.6 or 3.10.10.

### Formula for calculating the King's Lynn Subsidence Price Control Deliverable term (KLSt)

* + 1. The value of KLSt is derived in accordance with the following formula:

KLSt = KLSAt - KLSRt

where:

|  |  |
| --- | --- |
| KLSAt | means the sum of allowances in Appendix 1; and |
| KLSRt | has the value of zero unless otherwise directed by the Authority in accordance with Part E. |

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### King's Lynn Subsidence Re-opener

* + 1. The licensee must apply to the Authority for a direction amending the outputs, delivery dates or allowances in Appendix 1 where:
       1. the licensee is seeking additional funding to deliver remedial works to address subsidence at King's Lynn compressor station; or
       2. the licensee is not intending to deliver remedial works to address subsidence at King's Lynn compressor station.
    2. The licensee must complete a Front End Engineering Design for remedial works to address subsidence at King's Lynn compressor station before making an application under paragraph 3.10.6.
    3. An application under paragraph 3.10.6 must be made in writing to the Authority and:
       1. set out the amendments requested to the outputs, delivery dates or allowances in Appendix 1;
       2. give the reasons for any amendments requested to Appendix 1;
       3. explain the basis of the calculations for any amendments requested to allowances; and
       4. include such detailed supporting evidence including Front End Engineering Design, options assessment, improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments, and engineering justification statements, as is reasonable in the circumstances.
    4. An application under paragraph 3.10.6 must:
       1. take account of any allowed expenditure, which can be avoided as a result of the amendments requested; and
       2. relate to costs incurred or expected to be incurred on or after 1 April 2021.

### Assessment of outputs (KLSRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for BTRRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.10.6 or 3.10.10 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. A direction under paragraph 3.10.6 will set out any amendments to Appendix 1.
    3. A direction under paragraph 3.10.10 will set out the value of the CEPRt term and the Regulatory Years to which those values relate.

King's Lynn Subsidence Price Control Deliverable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Project | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |
| King's Lynn Subsidence | Delivery of Re-opener submission | 30/04/2022 | 1.047 |  |  |  |  | 1.047 |

## Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable (FIOCt)

Introduction

* + 1. The purpose of this condition is to calculate the FIOCt (Funded Incremental Obligated Capacity Price Control Deliverable) term. This contributes to the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
       2. establish a Re-opener for the licensee to apply for an adjustment to its allowed expenditure to fund network reinforcement required to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be released by Entry Capacity Substitution or Exit Capacity Substitution;
       3. provide for Cost and Output Adjusting Events; and
       4. provide for an assessment of the Price Control Deliverable.
    3. This condition also sets out the process the Authority will follow when directing any changes under paragraphs 7, 10, 13 or 14.

### Formula for calculating the Funded Incremental Obligated Capacity Price Control Deliverable term (FIOCt)

* + 1. The value of FIOCt is derived in accordance with the following formula:

FIOCt = FIOCAt - FIOCRt

where:

|  |  |
| --- | --- |
| FIOCAt | means the sum of values in the final column of Appendix 1; and |
| FIOCRt | has the value of zero, unless otherwise directed by the Authority in accordance with Part F. |

### FIOC Outputs and obligation to release capacity

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.
    2. The licensee must release the capacity associated with the outputs in Appendix 1 in accordance with the terms of the relevant FIOC Project Direction.

### FIOC Re-opener

* + 1. The licensee may apply to the Authority for a FIOC Project Direction amending the outputs, delivery dates and associated allowances in Appendix 1 to fund network reinforcement required to release Incremental Obligated Entry Capacity or Incremental Obligated Exit Capacity that cannot be released by Entry Capacity Substitution or Exit Capacity Substitution.
    2. Before making an application under paragraph 3.11.7, the licensee must obtain the Authority's approval of the need for the network reinforcement to which the application relates.
    3. Unless the Authority otherwise directs, approval under paragraph 3.11.8 must not be sought until after:
       1. the end of the period of twelve months beginning with the date of the provision of the relevant notice under Part B of Special Condition 3.12 (Capacity Requests, Baseline Capacity and Capacity Substitution); and
       2. the licensee has secured all material planning consents.

### Cost and Output Adjusting Events

* + 1. The licensee may apply to the Authority for a direction adjusting the outputs, delivery dates and associated allowances in Appendix 1 where there has been a Cost and Output Adjusting Event if:
       1. the licensee could not have reasonably foreseen;
       2. the licensee could not have economically and efficiently planned a contingency for the event;
       3. the event has caused expenditure to increase or decrease by at least 20% relative to the relevant allowance in Appendix 1 or such other percentage as the Authority may direct (calculated before the application of the Totex Incentive Strength rate); and
       4. the increase or decrease in expenditure is expected to be efficiently incurred or saved.
    2. The licensee must make the application:
    3. (a) as soon as is reasonably practicable after the Cost and Output Adjusting Event has occurred, and
    4. (b) in any event, within the period of three months beginning with the end of the Regulatory Year in which the Cost and Output Adjusting Event occurred;
    5. but the Authority may by direction permit a later application.
    6. An application under paragraph 3.11.10 must be made in writing and must:
       1. provide detailed supporting evidence that a Cost and Output Adjusting Event has occurred which meets the requirements set out in paragraph 3.11.10;
       2. set out any amendments requested to the outputs, delivery dates or allowances set out in Appendix 1;
       3. explain the basis of the calculation for any amendments requested to allowances, which must be designed, so far as is reasonably practicable, to keep the financial position and performance of the licensee the same as if the Cost and Output Adjusting Event had not occurred;
       4. include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the output, the proposed adjustments to the output, delivery dates or allowances fairly reflect the effects of the Cost and Output Adjusting Event; and
       5. any other relevant supporting information.
    7. The Authority will also consider directing amendments to the outputs, delivery dates and allowances in Appendix 1, without an application being made under paragraph 3.11.10, where it considers there has been a Cost and Output Adjusting Event meeting the requirements set out in paragraph 3.11.10(a) to (c).

### Assessment of Funded Incremental Obligated Capacity Price Control Deliverable (FIOCRt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for FIOCRt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraphs 3.11.7, 3.11.10, 3.11.13 or 3.11.14, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
    2. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    3. A direction under paragraph 3.11.7 will set out:
       1. the amendments to Appendix 1; and
       2. any project-specific Cost and Output Adjusting Events.
    4. A direction under paragraph 3.11.10 or 3.11.13 will set out any amendments to Appendix 1.
    5. A direction under paragraph 3.11.14 will set the value of the FIOCRt term and the Regulatory Years to which those values relate.

### Funded Incremental Obligated Capacity Re-opener Guidance

* + 1. The licensee must comply with the Funded Incremental Obligated Capacity Re-opener Guidance when making an application under Part C.
    2. The Authority will issue and amend the Funded Incremental Obligated Capacity Re-opener Guidance by direction.
    3. The Authority will publish the Funded Incremental Obligated Capacity Re-opener Guidance on the Authority's Website.
    4. The Funded Incremental Obligated Capacity Re-opener Guidance will make provision about the detailed requirements under Part C including timings and documentary requirements.
    5. Before directing that the Funded Incremental Obligated Capacity Re-opener Guidance comes into effect the Authority will publish on the Authority's Website:
       1. the text of the proposed Funded Incremental Obligated Capacity Re-opener Guidance;
       2. the date on which the Authority intends the Funded Incremental Obligated Capacity Re-opener Guidance to come into effect; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    6. Before directing an amendment to the Funded Incremental Obligated Capacity Re-opener Guidance, the Authority will publish on the Authority's Website:
       1. the text of the amended Funded Incremental Obligated Capacity Re-opener Guidance;
       2. the date the Authority intends the amended Funded Incremental Obligated Capacity Re-opener Guidance to come into effect;
       3. the reasons for the amendments to the Funded Incremental Obligated Capacity Re-opener Guidance; and
       4. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

FIOC Price Control Deliverable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Project | Output | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |

## Asset Health Re-opener (AHt)

Introduction

* + 1. The purpose of this condition is to calculate the term AHt (the Asset Health term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority where there are changes to the licensee’s Asset Health Programme that result in material changes to the costs of Licensed Activity.
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction:
       1. adjusting the value of the AHt term;
       2. amending the outputs, delivery dates and allowances in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output); or
       3. amending the outputs, delivery dates and allowances in Appendix 1 to Special Condition 3.15 (Asset Health – Non Lead Assets Price Control Deliverable)
       4. where there have been changes to unit costs and volumes of work relating to Compressor Cabs or Plant And Equipment.

### When to make an application

* + 1. The licensee may only apply to the Authority for an adjustment under paragraph 3.14.4 Between [25 January 2023 and 31 January 2023], or during such later periods as the Authority may direct.

### How to make an application

* + 1. An application under paragraph 3.14.4 must be made in writing to the Authority and include:
       1. the changes to unit costs and volumes of work relating to Compressor Cabs and Plant And Equipment that have led to the application;
       2. any changes to the outputs, delivery dates and allowances in the Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output) and Appendix 1 to Special Condition 3.15 (Asset Health – Non Lead Assets Price Control Deliverable) that the licensee is requesting;
       3. the adjustments to the value of the AHt term that the licensee is requesting and the Regulatory Years to which those adjustments relate;
       4. the basis of the calculation for the proposed adjustments to the value of the AHt term and the allowances in the Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output) and Appendix 1 to Special Condition 3.15 (Asset Health – Non Lead Assets Price Control Deliverable);
       5. such detailed supporting evidence including justification of unit costs and volumes of work based on historical outturn data, benchmarking, actual condition information, cost benefit analysis, and updated engineering justification papers, as is reasonable in the circumstances.
    2. An application under paragraph 3.14.4 must:
       1. relate to changes to the licensee’s investment plan that have developed since the licensee submitted its GT Asset Health Plan to the Authority in December 2019;
       2. include costs incurred during the Price Control Period to date in the format of the RIIO-2 RRP; and
       3. relate to costs incurred or expected to be incurred on or after 1 April 2021 and before 31 March 2026.

### Authority triggered Re-opener

* + 1. The Authority will also consider directing:
       1. an adjustment to the value of the AHt term;
       2. an amendment to the outputs, delivery dates and allowances in Appendix 1 to Special Condition XX (Baseline Network Risk Output); or
       3. an amendment to the outputs, delivery dates and allowances in Appendix 1 to Special Condition XX (Asset Health – Non Lead Assets Price Control Deliverable)
       4. without an application being made under paragraph 3.14.4, where there have been changes to unit costs and volumes of work relating to Compressor Cabs and Plant And Equipment that relate to costs incurred or expected to be incurred Between 1 April 2021 and 31 March 2026.

### Assessment of Years 1 and 2

* + 1. After Regulatory Year 2022/2023, the Authority will assess costs relating to Compressor Cabs and Plant And Equipment for Regulatory Years 2021/2022 and 2022/2023 and direct:
       1. an adjustment to the value of the AHt term;
       2. an amendment to the outputs, delivery dates and allowances in Appendix 1 to Special Condition 3.1 (Baseline Network Risk Output); or
       3. an amendment to the outputs, delivery dates and allowances in Appendix 1 to Special Condition 3.15 (Asset Health – Non Lead Assets Price Control Deliverable)

to reflect actual efficient costs.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.14.4, 3.14.8 or 3.14.9 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out:
       1. any adjustments to the value of the AHt term and the Regulatory Years to which those adjustments relate; and
       2. any amendments to Special Condition 3.1 (Baseline Network Risk Output) or Special Condition 3.16 (Asset Health – Non Lead Assets Price Control Deliverable).

## Asset Health - Non Lead Assets Price Control Deliverable (NLAt)

Introduction

* + 1. The purpose of this condition is to calculate the term NLAt (the Asset Health - Non Lead Assets Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
       2. provide for an assessment of the at the end of the Price Control Period.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the Asset Health - Non Lead Assets Price Control Deliverable term (NLAt)

* + 1. The value of NLAt is derived in accordance with the following formula:

NLAt = NLAAt - NLARt

where:

|  |  |
| --- | --- |
| NLAAt | means the sum of allowances in Appendix 1; and |
| NLARt | has the value of zero unless otherwise directed by the Authority in accordance with Part C. |

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of Outputs (NLARt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for NLARt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.14.6 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
    2. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    3. The direction will set out any amendments to Appendix 1.

Asset Health - Non Lead Assets Price Control Deliverable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Intervention Type | Volume | Delivery Date | Allowance | | | | |  |
|  |  |  | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | Total Allowance (All years) |
| Asset A Refurb | X assets refurbished | 31/03/2026 |  |  |  |  |  |  |
| Asset A Replacement | Y assets replaced | 31/03/2026 |  |  |  |  |  |  |

## Redundant assets Price Control Deliverable (RAt)

Introduction

* + 1. The purpose of this condition is to calculate the term RAt (the Redundant asset Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.
    2. The effect of this condition is to:
       1. specify the outputs, delivery dates and associated allowances for the Price Control Deliverable; and
       2. provide for an assessment of the Price Control Deliverable at the end of the Price Control Period.
    3. This condition also explains the process the Authority will follow when assessing the Price Control Deliverable.

### Formula for calculating the [Redundant Asset] Price Control Deliverable term (RAt)

* + 1. The value of RAt is derived in accordance with the following formula:

RAt = RAAt - RARt

where:

|  |  |
| --- | --- |
| RAAt | means the sum of allowances in Appendix 1; and |
| RARt | has the value zero unless otherwise directed by the Authority in accordance with Part F. |

### What is the licensee funded to deliver?

* + 1. Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

### Assessment of outputs (RARt)

* + 1. The Authority will, in accordance with the PCD Reporting Requirements and Methodology Document, consider directing a value for RARt where the licensee has not Fully Delivered an output in Appendix 1.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.15.6 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
    2. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    3. The direction will set out any adjustments to the value of the RARt term and the Regulatory Years to which those adjustments relate.

Appendix 1

Redundant Assets Price Control Deliverable

(£m)

|  |  |  |  |
| --- | --- | --- | --- |
| Site | Output | Delivery Date | RIIO-T2 Allowance |
| Site A | Theddlethorpe Terminal & Multijunction -Decommission. | 31 March 2026 | 5.689 |
| Site B | Goulceby Block Valve - Pipethrough and Decommission. | 31 March 2026 | 0.615 |
| Site C | Little Cawthorpe Block Valve - Pipethrough and Decommission. | 31 March 2026 | 0.615 |
| Site D | Feeder 17 Disconnect and Decommission - Theddlethorpe - Hatton AGI | 31 March 2026 | 0.533 |
| Site E | Feeder 8 – Disconnect and Decommission Theddlethorpe - Hatton AGI | 31 March 2026 | 0.551 |
| Site F | Hatton – site rationalisation | 31 March 2026 | 0.671 |
| Site G | Warrington Compressor Site – Decommission Units A & B (2x RB211-24C) back to plinth. Decommission station pipework and control systems. | 31 March 2026 |  |
| Site H | Warrington Compressor Station – Decommission redundant ultrasonic flow meter | 31 March 2026 |  |
| Site I | Ferny Knoll AGI - Decommission site | 31 March 2026 | 0.652 |
| Site J | Peterborough Compressor Station – Decommission following assets:   * + - 1. Compressor Cab buildings   Control building  Control instrumentation for Compressor following completion of the IPPC Phase 3 activities | 31 March 2026 | 1.470 |
| Site K | Peterborough Compressor Station – Decommission Centrax standby generator and associated infrastructure | 31 March 2026 | 0.285 |
| Site L | Enron Billingham AGI – Decommission site | 31 March 2026 | 0.947 |
| Site M | Feeder 6 - Disconnection and Decommission from Billingham ICI to Enron (Billingham) | 31 March 2026 | 0.294 |
| Site N | Upper Neeston AGI – Decommission site | 31 March 2026 | 0.652 |
| Site O | Bishop Auckland - Redundant asset rationalisation | 31March 2026 | 0.509 |
| Site P | Churchover Compressor – Decommission Unit A & pressure reduction area for Units A & B | 31March 2026 |  |
| Site Q | Churchover Compressor – Decommission Unit B | 31March 2026 |  |
| Site R | Horndon – Decommission Barking Power Station AGI | 31March 2026 | 0.901 |
| Site S | Horndon - ex Canvey Island – Decommission water bath heater | 31March 2026 | 0.117 |
| Site T | Bacton – Decommission the following assets:  Ex odourant area, methanol tank & ex gas quality monitoring buildings  Transmission boilers in boiler house adjacent to control room  Dewscope huts including the GRP huts and concrete foundation plinths  Eni water pipeline | 31March 2026 | 1.948 |
| Site U | Bacton Eni – Decommission all of the licensee’s assets at this terminal, including:  Road crossing sleeves and pipeline from the old ENI terminal  Metering and valve assets  Above and below ground pipework  Connection to the Ring Main | 31March 2026 | 1.948 |
| Site V | Brome Block Valve - Pipethrough and Decommission | 31March 2026 | 0.616 |
| Site W | Chester road – Decommission Feeder 5 commissioning valve | 31March 2026 | 0.193 |
| Site X | St Fergus – Decommission redundant assets within Plant 1 analyser house and instrument house, Plant 2 analyser house and instrument house, Feeder 13 instrument shelter, Plant 6 ACH building, Plant 6 ASH building, Plant 4 analyser house | 31March 2026 | 2.840 |
| Site Y | St. Fergus – Decommission methanol tanks, bund and filling station | 31March 2026 | 0.845 |
| Site Z | St Fergus – Decommission odourant flarestacks | 31March 2026 | 0.331 |
| Site AA | St Fergus – Decommission redundant gas quality equipment in pits | 31March 2026 | 0.331 |
| Site AA | St Fergus – Decommission NOX shelters 2A and 2D | 31March 2026 | 0.331 |
| Site AA | St Fergus – Remove two condensate tanks and associated above ground equipment | 31March 2026 | 0.095 |
| Site AB | Kirriemuir Compressor - Decommission compressor unit D to plinth | 31March 2026 |  |
| Site AB | Kirriemuir – Remove two condensate tanks and associated above ground equipment | 31March 2026 | 0.095 |
| Site AC | Huntingdon Compressor Station - Decommission the following assets following completion of the IPCC Phase 4 scheme:  Compressor Cab buildings  Control building  Control instrumentation for compressor | 31March 2026 |  |
| Site AD | Huntington Compressor Station – Decommission standby generator, diesel storage tank and associated equipment, and protective building. | 31March 2026 | 0.478 |
| Site AE | Bathgate Compressor – Decommission compressor control building, including office, workshop, former substation and generator buildings | 31March 2026 |  |
| Site AF | Bathgate Compressor – Decommission Instrumentation kiosk | 31March 2026 | 0.052 |
| Site AG | Deeside AGI – Decommission site | 31March 2026 | 0.947 |
| Site AH | Feeder 21 Burton Point Tee to Deeside – Decommission circa. 300m of 36” pipeline | 31March 2026 | 0.300 |
| Site AI | Shustoke Offtake AGI asset - Decommission circa. 35m of above ground pipework on the AGI and circa. 30m of below ground pipework to the boundary of the AGI. | 31March 2026 | 0.379 |
| Site AJ | Austrey AGI asset -Decommission the following assets:  350mm Portable Pig Trap connection arrangement  20m of above ground 250mm pipeline  5m of 100mm bypass pipework  2x 350mm valves | 31March 2026 | 0.331 |
| Site AK | Feeder 14 Austrey to Shustoke – Disconnection of pipeline and nitrogen fill | 31March 2026 | 0.393 |
| Site AL | Roxwell – Decommission redundant pipework and valve assets at the site | 31March 2026 | 0.099 |
| Site AM | Easington BP Dimlington supply HIPPS V7383 – Decommission Easington BP Dimlington valve | 31March 2026 | 0.194 |
| Site AN | Diss – Decommission one condensate tank and above ground equipment | 31March 2026 | 0.095 |
| Site AO | Peterstow compressor station – Decommission redundant outbuildings | 31March 2026 | 0.289 |
| Site AP | Great Wilbraham – Decommission buried condensate vessel and a 36” valve and dome end | 31March 2026 | 0.289 |
| Site AQ | Yarm Tees Duplicate River Crossing – Removal of one of the 750mm/30” river crossings, including block valves.  Pipethrough of mainline valves  Decommission the duplicate feeder including valve arrangements. | 31March 2026 | 1.894 |
| Site AR | Cambridge – Decommission one condensate tank and above ground equipment | 31March 2026 | 0.095 |
| Site AS | Peterborough – Decommission one condensate tank and above ground equipment | 31March 2026 | 0.945 |
| Site AT | Wormington Compressor Station – Decommission aftercooler | 31March 2026 | 0.478 |
| Site AU | Easington – Decommission Daniels 500 chromatograph | 31March 2026 | 0.095 |
| Site AV | Corby Powerstation – Decommission Mokveld Valve and Bristol Babcock control cabinet | 31March 2026 | 0.095 |
| Site AW | Lennel Tweed – Removal of one 600mm/24” river crossing, including block valves. Pipethrough of mainline valves and decommission the duplicate feeder, including valve arrangements. | 31March 2026 | 1.899 |
| Site AX | Asselby to Drax - Removal of one 900mm/36” river crossing, including block valves. Pipethrough of mainline valves and decommission the duplicate feeder, including valve arrangements. | 31March 2026 | 1.894 |
| Site AY | Didcot A – Decommission all assets related to the pressure reduction ‘A’ installation, including pipework, valves, metering and boilers. | 31March 2026 | 1.046 |
| Site AZ | Thornton Curtis C – Decommission water bath heaters A & B | 31March 2026 | 1.659 |
| Site BA | Sellafield Powerstation - Decommission flow control valve and control cabinet | 31March 2026 | 0.189 |
| Site BB | Nether Kellet – Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BC | Wormington - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BD | Carnforth - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BE | Chelmsford - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BF | Haltwhistle – Decommission 2x 900mm pipe legs | 31March 2026 | 0.620 |
| Site BG | Kings Lynn Compressor – Decommission Plant 1, water bath heater plinth and pipework from former Plant 1 control building | 31March 2026 | 0.340 |
| Site BH | Kings Lynn Compressor Station – Decommission disused gas analyser | 31March 2026 | 0.194 |
| Site BI | Kings Lynn Compressor Station – Decommission station pressure reduction arrangement and lube oil transfer tank for unit A. | 31March 2026 | 0.474 |
| Site BJ | Kings Lynn - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BK | Susworth East to Susworth West - Decommission one 750mm/30” river crossing, including block valves.  Pipethrough of mainline valves and decommission the duplicate feeder, including valve arrangements | 31March 2026 | 1.894 |
| Site BL | Feeder 7 Scunthorpe (7225) to Susworth Trent East – Removal and rationalisation of Feeder 7 loop previously used for input and discharge from Scunthorpe compressor site. Decommission 10.17km of feeder asset and commissioning of a smaller in line inspection loop. | 31March 2026 | 0.653 |
| Site BM | Avonbridge - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BN | Carnforth Compressor Station- Decommission water bath heater control panel | 31March 2026 | 0.095 |
| Site BO | Hatton - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BP | Wisbech - Decommission one condensate tank and associated above ground equipment. | 31March 2026 | 0.095 |
| Site BQ | Bathgate – Remove and dispose of valves V28 & 29 | 31March 2026 | 0.474 |
| Site BR | Carnforth Compressor Station – Decommission AGI flow control valve and control cabinet | 31March 2026 | 0.095 |
| Site BS | Huntington Compressor Station – Decommission transmission telemetry panel in communications room | 31March 2026 | 0.095 |
| Site BT | No.1 Feeder across Humber – Decommission abandoned section of Feeder 1 form Paull multi-junction to Skitter multi-junction | 31March 2026 | 4.037 |
| Site BU | No.9 Feeder across Humber – Decommission 5.43km section of old feeder pipeline across the Humber from Paull to Goxhill | 31March 2026 | 4.037 |
| Site BV | No7 Feeder Towton to Asselby – Decommission feeder, including pipeline isolation and decommissioning, and and decommission and Pipethrough of Cawood AGI and South Duffield BV | 31March 2026 | 2.146 |
| Site BW | Alderbury - Decommission civil and security assets and return the site to greenfield, including perimeter fence, tarmac roadways and concrete bases. | 31March 2026 | 1.000 |
| Site BX | Teesside Terminal – Decommission redundant assets, including:  Odourant system  Feed analyser kiosk  Telemetry systems | 31March 2026 | 0.762 |
| Site BY | Moffat Compressor Station – Decommission site back to greenfield status | 31March 2026 |  |
| Site BZ | Carnforth – Decommission Units A and B to plinth level to meet IED compliance | 31March 2026 | 2.77 |
| Site CA | Hatton – Decommission Units B and C to plinth level to meet IED compliance | 31March 2026 | 2.77 |
| Site CB | Huntingdon – Decommission Units A and B to plinth level | 31March 2026 | 2.77 |
| Site CD | Peterborough - Decommission Units A and B to plinth level | 31March 2026 | 2.77 |

## Arrangements for the recovery of uncertain costs

Introduction

* + 1. The purpose of this condition is to calculate the terms QLt (Quarry and Loss Development Claim Costs) and the PDt (Pipeline Diversions Costs). These contribute to the calculation of the Totex Allowance.
    2. The effect of this condition is to establish a Re-opener triggered by either the licensee or the Authority where uncertain costs have resulted in material changes to the cost to Quarry and Loss Development Claim Costs and Pipeline Diversion Costs
    3. This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

### What costs are within scope of this Re-opener?

* + 1. The licensee may apply to the Authority for a direction adjusting:
       1. the value of the QLt terms in relation to Quarry and Loss Development Claim Costs; and
       2. the value of the PDt term in relation to Pipeline Diversion Costs for any Regulatory Year during the Price Control Period.

### When to make an application

* + 1. The licensee may only make an application under paragraph 3.17.4 Between 25 January 2023 and 31 January 2023.

### How to make an application

* + 1. An application under paragraph 3.17.4 must be made in writing to the Authority and include:
       1. a statement of the Uncertain Costs to which the application relates;
       2. the adjustments to either the QLt or PDt terms that the licensee is requesting and the Regulatory Years to which those adjustments relate;
       3. the basis of the calculation for the proposed adjustments to the value of the QLt and PDt term;
       4. such detailed supporting evidence including improvement plans, risk mitigation approaches, cost benefit analysis, impact assessments and engineering justification statements, as is reasonable in the circumstances and relevant to the Uncertain Costs in question.
    2. An application under paragraph 3.17.4 must:
       1. take account of any allowed expenditure that relates to the Uncertain Costs;
       2. relate to costs incurred or expected to be incurred that exceed the materiality threshold specified in Appendix 1; and
       3. be confined to costs incurred or expected to be incurred on or after 1 April 2021.

### Authority triggered Re-opener

* + 1. The Authority will also consider directing an adjustment to the QLt and PDt terms without an application being made under paragraph 3.17.4, where it considers that the licensee has incurred or is likely to incur Uncertain Costs that:
       1. exceed the materiality threshold specified in Appendix 1; and
       2. were incurred or are expected to be incurred on or after 1 April 2021.

### What process will the Authority follow in making a direction?

* + 1. Before making a direction under paragraph 3.17.4 or 3.17.8 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    2. The direction will set out any adjustments to the value of the QLt and PDt terms and the Regulatory Years to which those adjustments relate.

Materiality Threshold Amount

|  |  |
| --- | --- |
| Licensee | £m |
|  |  |

# Output Delivery Incentives

## Total output delivery incentive performance (ODIt)

Introduction

* + 1. The purpose of this condition is to calculate ODIt (the output delivery incentives term). This contributes to the calculation of Calculated Revenues in Special Condition 2.1 (Transportation Owner Revenue Restriction).

### Formula for calculating total output delivery incentive performance

* + 1. The value of ODIt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *CSIt* | is derived in accordance with Special Condition 4.2; |
| *ENVIt* | is derived in accordance with Special Condition 4.3; |

## Customer Satisfaction Survey output delivery incentive (CSIt)

Introduction

* + 1. The purpose of this condition is to provide for the calculation of the term CSIt (the customer satisfaction output delivery incentive term). This contributes to the calculation of the term ODIt (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of the condition is to reward or penalise the licensee's performance in relation to the customer satisfaction output delivery incentive.

### Formula for calculating the customer satisfaction incentive (CSIt)

* + 1. The value of CSIt is derived in accordance with the following formula:

CSIt = EABR CSAFt

where:

|  |  |
| --- | --- |
| EABRt | means Ex-Ante Base Revenue |
| CSAFt | means the revenue adjustment factor based on the licensee's customer satisfaction survey performance in Regulatory Year t, derived in accordance with the following formula: |

If CSSPt > CSST:

If CSSPt < CSST:

where:

|  |  |
| --- | --- |
| CSPt | is the overall average customer satisfaction survey result in Regulatory Year t-2; |
| CST | is the customer satisfaction survey target, and has the value 7.8; |
| CSCAP | is the customer satisfaction survey cap, and has the value 8.5; |
| CSUPA | is the customer satisfaction maximum upside percentage adjustment, and has the value 0.5%; |
| CSCOL | is the customer satisfaction survey collar, and has the value of 7.1; and |
| CSDPA | is the customer satisfaction maximum downside percentage adjustment, and has the value -0.5%. |

### Customer satisfaction surveys

* + 1. The licensee must, unless the Authority otherwise consents, carry out a survey at least once every Regulatory Year to assess customer satisfaction with its Licensed Activity.
    2. The licensee may include such questions in the survey as it considers appropriate, but:
       1. the survey must include a question that asks for overall customer satisfaction to be rated on a scale of 1-10, where 1 is low and 10 is high; and
       2. the question must be ‘Based on your experience of [service touchpoint – see Appendix 1], how satisfied are you with National Grid Gas?’.
    3. The licensee must share the results of this survey with the Authority.

Service touchpoints

* + 1. The following service touchpoints may be used in the question in paragraph 4.1.5:
       1. Planning application process
       2. The future use of our network
       3. Gas construction
       4. Gas markets change
       5. Connections / disconnections and diversions process
       6. Day to day operational engagement
       7. End of day locations and measurements
       8. Maintenance process
       9. Events
       10. Capacity auctions

## Environmental Scorecard output delivery incentive (ENVIt)

Introduction

* + 1. The purpose of this condition is to calculate the term ENVIt (the environmental scorecard output delivery incentive term). This contributes to the calculation of the ODIt term (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of the environmental scorecard output delivery incentive is to reward or penalise the licensee’s performance in seven environmental areas compared to annual improvement thresholds.

### Formula for calculating the environmental scorecard incentive (ENVIt)

* + 1. The value of ENVIt is derived in accordance with the following formula:

ENVIt = (OTt + BTt + WRt + OWt + WUt + EVt + BGt) \* TIS

where:

|  |  |
| --- | --- |
| OTt | = 1\*OTIt, if OTAt > OTTRt;  = -1\*OTIt, if OTAt < OTTPt; and  otherwise has a value of zero; |
| BTt | = 1\*BTIt, if BTAt > BTTRt;  = -1\*BTIt, if BTAt < BTTPt; and  otherwise has a value of zero; |
| WRt | = 1\*WRIt, if WRAt > WRTRt;  = -1\*WRIt, if WRAt < WRTPt; and  otherwise has a value of zero; |
| OWt | = 1\*OWIt, if OWAt > OWTRt;  = -1\*OWIt, if OWAt < OWTPt; and  otherwise has a value of zero; |
| WUt | = 1\*WUIt, if WUAt > WUTRt;  = -1\*WUIt, if WUAt < WUTPt; and  otherwise has a value of zero; |
| EVt | = 1\*EVIt, if EVAt > EVTRt;  = -1\*EVIt, if EVAt < EVTPt; and  otherwise has a value of zero; |
| BGt | = 1\* ƩNCPit\*BGIt, if ƩBGAit/ ƩNCPit > BGTRt;  = - 1\* ƩNCPit\*BGIt, if ƩBGAit/ ƩNCPit < BGTPt; and  otherwise has a value of zero; and |
| TIS | means the Totex Incentive Strength; |

where:

|  |  |
| --- | --- |
| OTAt | means the percentage change in the licensee's total operational transport related CO2e emissions compared to levels reported in the Annual Regulatory Report for Regulatory Year 2020/21; |
| BTAt | means the percentage change in the licensee's total business travel related CO2e emissions compared to levels reported in the Annual Regulatory Report for Regulatory Year 2020/21; |
| WRAt | means the percentage of the licensee's operational and office waste that is recycled; |
| OWAt | means the percentage change in the weight (in tonnes) of waste created at the Licensee's Offices compared to the 2019/20 level set out in Appendix 1; |
| WUAt | means the percentage change in the volume of water used at the Licensee's Offices compared to the 2019/20 levels set out in Appendix 1; |
| EVAt | means the percentage change in the Environmental Value of the licensee's non-operational land compared to the 2020/21 levels set out in Appendix 1; and |
| BGAt | means the sum total percentage change of Biodiversity Net Gain achieved on all new construction projects; |

* + 1. The penalty and reward thresholds applicable in each environmental area are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Regulatory Year | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 |
| OTTR  OTTP | TBD  TBD |  |  |  |  |
| BTTR  BTTP | 3  1 | 6  3 | 7  5 | 10  6 | 12  8 |
| WRTR  WRTP | 52  44 | 54  46 | 57  49 | 61  53 | 65  55 |
| OWTR  OWTP | 3  1 | 5  3 | 7  5 | 10  6 | 25  15 |
| WUTR  WUTP | 3  1 | 5  3 | 7  5 | 10  6 | 25  15 |
| EVTR  EVTP | 3  1 | 5  3 | 8  4 | 10  6 | 12  8 |
| BGTR  BGTP | 15  5 | 15  5 | 15  5 | 15  5 | 15  5 |

* + 1. The value of the incentive applicable in each environmental area are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Regulatory Year | 2021/2022 | 2022/2023 | 2023/2024 | 2024/2025 | 2025/2026 |
| OTI | = [TBC] |  |  |  |  |
| BTI | = [TBC] |  |  |  |  |
| WRI | = [TBC] |  |  |  |  |
| OWI | = [TBC] |  |  |  |  |
| WUI | = [TBC] |  |  |  |  |
| EVI | = [TBC] |  |  |  |  |
| BGI | = [TBC] |  |  |  |  |

Baseline measures

|  |  |  |
| --- | --- | --- |
| Impact area | Year | Level |
| Licensee's Office waste in tonnes | 2019/20 | TBC |
| Licensee's Office water use in litres | 2019/20 | TBC |
| Environmental Value of licensee's non-operational land (£M) | 2020/21 | TBC |

## Entry Capacity and Exit Capacity Constraint Management ()

Introduction

* + 1. The purpose of this condition is to calculate the term CMt (the Entry Capacity and Exit Capacity Constraint Management allowed revenue term). This contributes to calculation of SO Calculated Revenue in Special Condition 2.6 (System Operator Revenue Restriction).
    2. is the sum of the costs relating to Constraint Management and the incentive revenue from the incentive scheme that encourages the licensee to minimise its Constraint Management costs net of revenue.

### The Constraint Management allowed revenue ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | [is the Constraint Management cost allowance as set out in Appendix 1]; |
|  | is derived in accordance with paragraph 4.4.4; |
|  | is derived in accordance with paragraph 4.4.21; |
|  | means the revenue from the accelerated release of Incremental Obligated Entry Capacity from the sale of Non-Obligated Entry Capacity at an NTS Entry Point; and |
|  | is the Exit Capacity buyback costs incurred by the licensee which users are liable to reimburse to the licensee in accordance with the Uniform Network Code and which:   1. arise as a result of the rate of offtake by a User at a particular NTS Exit Point exceeding the maximum permitted offtake rate for that NTS Exit Point; or 2. arise as a result of an Aggregate Overrun of Exit Capacity at an NTS Exit Point; or 3. arise in respect of any NTS Exit Point in respect of which the licensee has notified a planned maintenance Day in accordance with the Uniform Network Code. |

### The Constraint Management incentive revenue ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the Constraint Management sharing factor which has the value 20%; |
|  | is derived in accordance with paragraph 4.4.13; |
|  | is derived in accordance with part 4.4.5; |
|  | is derived in accordance with paragraph 4.4.9; and |

if then equals , or if then equals ;

where:

|  |  |
| --- | --- |
|  | has the value set out in Appendix 3; and |
|  | has the value set out in Appendix 4. |

### The Constraint Management operational performance measure ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is derived in accordance with paragraph 4.4.8; |
|  | has the meaning set out in paragraph 4.4.3; |
|  | is the revenue derived by the licensee from on the Day sales of Obligated Entry Capacity; |
|  | is the revenue derived by the licensee from the sale of Interruptible Entry Capacity; |
|  | is derived in accordance with paragraph 4.4.6; |
|  | is the revenue derived by the licensee from sales of Non-Obligated Entry Capacity; |
|  | has the meaning set out in paragraph 4.4.3; |
|  | is the revenue derived by the licensee from Locational Sell Actions and Physical Renomination Incentive Charges; |
|  | is the revenue derived by the licensee from the sale of Off-Peak Exit Capacity; |
|  | is derived in accordance with paragraph 4.4.7; |
|  | is the revenue derived by the licensee from the sale of Non-Obligated Exit Capacity; |
|  | is the revenue derived by the licensee from on the Day sales of Obligated Exit Capacity; and |
|  | is any further revenues derived by the licensee that the Authority has directed the licensee to include in the Constraint Management operational performance measure . |

### Revenue from curtailed Interruptible Entry Capacity ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the remaining sold quantity of Interruptible Entry Capacity (kWh) after curtailment derived by the licensee; and |
|  | is the sold quantity of Interruptible Entry Capacity (kWh) derived by the licensee. |

### Revenue from sale of curtailed Off-Peak Exit Capacity ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the remaining sold quantity of Off-Peak Exit Capacity (kWh) after curtailment derived by the licensee; And |
|  | is the sold quantity of Off-Peak Exit Capacity (kWh) derived by the licensee. |

### The Constraint Management operational costs ()

* + 1. The value of , is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means the Entry Capacity operational Constraint Management cost term, being the subset of the costs as defined in paragraph 4.4.22, incurred by the licensee in respect of Entry Capacity Constraint Management but excluding those included within the term (as defined in paragraph 4.4.9); |
|  | means the Exit Capacity operational Constraint Management cost term, being the subset of the costs as defined in paragraph 4.4.23, incurred by the licensee in respect of Exit Capacity Constraint Management but excluding those included within the term (as defined in paragraph 4.4.9). |

### The Constraint Management investment costs ()

* + 1. The value of , is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the Entry Capacity investment Constraint Management cost term, being the subset of the costs as defined in paragraph 4.4.22, incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Entry Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Entry Capacity has been physically delivered; and |
|  | is the Exit Capacity investment Constraint Management cost term, being the subset of the costs as defined in paragraph 4.4.23, incurred by the licensee in respect of Constraint Management which relates to Funded Incremental Obligated Exit Capacity first released for sale by the licensee on or after 1 April 2021 until such time as that Exit Capacity has been physically delivered. |

* + 1. In deriving and the licensee must use reasonable endeavours to ensure it does not pay more than 0.52p/kWh/Day in respect of Constraint Management costs for Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity.
    2. Where the licensee has incurred either Entry Capacity or Exit Capacity costs for Constraint Management in respect of Funded Incremental Obligated Entry Capacity and Funded Incremental Obligated Exit Capacity, the licensee must submit a report to the Authority demonstrating how it used reasonable endeavours to satisfy the obligation in paragraph 4.4.10.
    3. Upon receipt of the report referred to in paragraph 4.4.11, the Authority may direct that the licensee has satisfied the obligation in paragraph 4.4.10.

### The Constraint Management Operational Target ()

* + 1. is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the Constraint Management base target as specified in Appendix 2; and |
|  | is the variation to the Constraint Management target (which could be positive or negative) as determined in accordance with Part I. |

### Determination of the variation to the Constraint Management operational target

* + 1. The licensee must apply to the Authority setting out its proposal for , where the implementation of the Re-opener in Special Condition 3.11 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable) is likely to cause a variation in the Constraint Management operational target in part H.
    2. Where the licensee makes an application under paragraph 4.4.14 it must include, in sufficient detail to enable the Authority to decide whether the licensee should implement the proposal, the following:
       1. an explanation of how implementation of the Re-opener will cause a variation in the value of and in turn the variation in the Constraint Management operational target, setting out any proposed amendments to ;
       2. the evidence to support the licensee’s proposal;
       3. the date from which the variation to the Constraint Management operational target would apply and, where relevant, the date to which it would apply; and
       4. the value that the licensee proposes the term should take in each relevant Regulatory Year.
    3. The licensee must keep a record of each application made under paragraph 4.4.14.
    4. The licensee must implement the proposal as set out within the written application made pursuant to paragraph 4.4.14 or as modified in accordance with paragraph 4.4.18, unless:
       1. the Authority has, within 7 days from the receipt by the Authority of the written application, directed the licensee to suspend implementation of the proposal because in the Authority's opinion the application made pursuant to paragraph 4.4.14 requires further consideration to evaluate whether the proposal, and the supporting information, is consistent with the licensee’s duties under the Act and the conditions of its licence; or
       2. the Authority has, during the period of 28 days beginning with the date of receipt by the Authority of the written application, directed the licensee, on or before that date, not to implement that proposal.
    5. Where the Authority has notified the licensee in writing to suspend implementation of the proposal in accordance with paragraph 4.4.17(a), the Authority will, during the period of 28 days beginning with the date of receipt by the Authority of the written application, direct the licensee either:
       1. to implement the proposal in accordance with the application made under paragraph 4.4.14; or
       2. to implement the proposal in a modified form, subject to the agreement of the licensee, where such modifications relate to:
          1. the value of ; and
          2. the date from which the value of applies.
    6. A direction under paragraph 4.4.18 will set out any amendments to Appendix 2.
    7. The licensee may withdraw a proposal made under paragraph 4.4.14 unless the Authority has given a direction under paragraph 4.4.18.

### The Constraint Management Cost Adjustment ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is derived in accordance with paragraph 4.4.22; |
|  | is derived in accordance with paragraph 4.4.23; and |
|  | [is the Constraint Management cost allowance as set out in Appendix 1.] |

### The Entry Capacity Constraint Management costs ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means the costs incurred by the licensee in respect of any Constraint Management actions taken in relation to Entry Capacity in respect of Day d of Regulatory Year t (including those related to capacity management relating to the surrender of Firm Entry Capacity); |
|  | means the costs incurred by the licensee in respect of payments made by the licensee to Gas Shippers or DN Operators in exchange for agreeing to offtake gas from the NTS at the licensee's request on Day d in respect of Regulatory Year t and in respect of any costs incurred by the licensee undertaking any other commercial or physical action to manage Entry Capacity excluding those covered by . ( includes the costs of the licensee in taking any Locational Actions.) |

### The Exit Capacity Constraint Management costs ()

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means the costs incurred by the licensee in respect of Accepted Offtake Reduction Offers in respect of Day d of Regulatory Year t; and |
|  | means the costs incurred by the licensee in respect of any Exit Capacity Constraint Management taken in respect of Day d of Regulatory Year t (including those related to Exit Capacity Constraint Management Charges and NTS Exit Capacity Surrender Charges) and in respect of any costs incurred by the licensee undertaking any other commercial or physical action to manage Exit Capacity, excluding those covered by . |

### Obligation to produce a statement of Capacity Constraint Management cost allocation rules

* + 1. The licensee must prepare and submit for approval by the Authority a statement of Constraint Management cost allocation rules, setting out the rules to attribute Constraint Management costs for the purposes of Part F and Part G.
    2. The statement must be submitted:
       1. during the period of 30 days beginning with the date on which the Authority issues a decision giving effect to this licence condition, or
       2. by such later date as the Authority may direct.

[Constraint management cost allowance ()] (£m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |  |  |  |  |

Constraint Management Targets () (£m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |

Annual lower limits on Constraint Management Incentive Revenue () (£m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| -3.2 | -3.2 | -3.2 | -3.2 | -3.2 |

Annual upper limits on Constraint Management Incentive Revenue () (£m)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |

## System Operator external incentives, costs and revenues

Introduction

* + 1. The purpose of this condition is to calculate the term SOODIt (the System Operator output delivery incentive term). This contributes to the calculation of calculate the term SOODIt (the System Operator output delivery incentive term). This contributes to the calculation of SO Calculated Revenue in Special Condition 2.5 (System Operator Revenue Restriction).
    2. This condition also outlines the licensee's obligations in relation to certain gas system operator services.

### The System Operator Output Delivery Incentive (SOODIt)

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is an amount equal to the sum of the Basic Net Neutrality Amount and the Adjustment Neutrality Amount across all Days in Regulatory Year t; |
|  | is derived in accordance with Part B; |
|  | is derived in accordance with Part C; |
|  | is derived in accordance with Part D; |
|  | is derived in accordance with Part E; |
|  | is the total costs incurred by the licensee from the procurement of availability and utilisation of Operating Margins services for the purposes of satisfying Operating Margins Requirements. It includes all capacity fees, gas delivery service fees, standby fees and costs associated with reprofiling, withdrawing and injecting gas into and out of gas storage facilities and costs that may arise as a result of the difference between the Operating Margins WACOG and Net Margins WACOG (as calculated in accordance with the Uniform Network Code) in the event of service utilisation multiplied by the relevant utilisation volume; and |
|  | is derived in accordance with Part G. |

### The Residual Balancing Incentive (RBIt)

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the sum of the total daily incentive payments and is derived in accordance with the following formula: |

where:

|  |  |
| --- | --- |
|  | is the daily price incentive payment on Day d and is derived in accordance with paragraph 4.5.5; and |
|  | is the daily linepack incentive payment on Day d and is derived in accordance with paragraph 4.5.7. |

* + 1. The value of is derived in accordance with the following table:

|  |  |
| --- | --- |
|  |  |
| 0 ≤ ≤ 5 | 1,200 - ( x 800) |
| 5 < < 75.667 | -2,800 - (300 x ( - 5)) |
| 75.667 ≤ | -24,000 |

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the price (p/kWh) equal to the highest Market Offer Price in relation to Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d, equals ; |
|  | is the price (p/kWh) equal to the lowest Market Offer Price in relation to Eligible Balancing Action excluding any Locational Actions taken in respect of Day d of Regulatory Year t. If the licensee took no such eligible action in respect of Day d, equals ; and |
|  | is the System Average Price (p/kWh) in respect of Day d of Regulatory Year t. |

* + 1. The value of is derived for the months that are not Shoulder Months of Regulatory Year t in accordance with the following table:

|  |  |
| --- | --- |
|  |  |
| 0 ≤ ≤ 1.5 | 3,200 |
| * 1. < < 2.8 | 3,200 x ( |
| = 2.8 | 0 |
| 15 > > 2.8 | -24,000 x ( |
| ≥ 15 | -24,000 |

* + 1. For the Shoulder Months of Regulatory Year t, the value of is derived in accordance with the following table:

|  |  |
| --- | --- |
|  |  |
| 0 ≤ ≤ 1.5 | 3,200 |
| * 1. < < 2.8 | 3,200 x ( |
| * 1. ≤ ≤ 5.6 | 0 |
| 15 > > 5.6 | -24,000 x ( |
| ≥ 15 | -24,000 |

* + 1. The value of the is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d; and |
|  | is the total NTS Linepack in respect of Day d of Regulatory Year t at 05:00 hours on Day d. |

### Quality of Demand Forecasting Incentive (QDAIRt)

* + 1. The value of is derived in accordance with the table below:

|  |  |
| --- | --- |
|  |  |
|  |  |
|  |  |
|  |  |

where:

|  |  |
| --- | --- |
|  | is the Day ahead demand forecasting incentivised average forecast error (mcm/d) is derived in accordance with paragraph 4.5.11; and |
|  | is the Day ahead demand forecasting adjustment (mcm) and is derived in accordance with paragraph 4.5.12. |

* + 1. The value of is derived in accordance with the following formula:

=

where:

|  |  |
| --- | --- |
|  | is the sum of x for all Days d of Regulatory Year t; |
|  | is the Day ahead forecast NTS throughput value (mcm) for all Days in Regulatory Year t, published by the licensee (in accordance with the Uniform Network Code) on its website not later than 14:00 hours on the day preceding Day d of Regulatory Year t. Where the day ahead 14:00 forecast NTS throughput value is not published by 14:00 hours on the day preceding Day d, the next forecast published on the licensee's website for the Day concerned shall be used; and |
|  | is the Actual NTS Throughput value (mcm) on a given Day d, calculated five Days following the Day (d+5), on each Day of Regulatory Year t. |

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the demand forecasting short-cycle storage adjustment derived in accordance with the following formula: |

where:

|  |  |
| --- | --- |
|  | is the demand forecasting adjustment continuous improvement factor and equals 0.5; and |
|  | is the average annual capability to have gas injected (mcm/d) at Short-Cycle Storage Facilities connected to the NTS and is derived in accordance with the following formula: |

where:

|  |  |
| --- | --- |
|  | is the aggregate capability of any relevant Short-Cycle Storage Facilities connected to the NTS to have gas injected (in mcm/d) on Day d of Regulatory Year t as specified in the Storage Capacity Notice submitted by the relevant Storage Operator to the licensee (and updated from time to time) pursuant to the relevant Storage Connection Agreements; and |
|  | is the number of Days in Regulatory Year t. |

* + 1. The licensee must:
       1. publish on its website, and keep up to date, a list of sites that regularly utilise their capability both to withdraw and inject gas into the Short-Cycle Storage facility on the same Day; and
       2. when the list is updated from time to time, submit a copy of the updated list to the Authority.
    2. The licensee must submit a report to the Authority on the activities, projects and investments undertaken by the licensee, and the costs of these actions, in respect of its annual efforts to improve its quality of demand forecasting at a Day ahead:
       1. by 31 March 2022, and
       2. within each succeeding period of twelve months, in respect of the previous Regulatory Year.
    3. The licensee must record and report to the Authority on its annual performance in delivering two to five days ahead demand forecasts (D-2 to D-5), including the licensee's D-2 to D-5 annual average forecast error:
       1. by 31 March of each Regulatory Year, or
       2. by such other date as the Authority may direct.
    4. The two to five days ahead demand forecasting average error () is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the sum of for i from i = 2 to i = 5 where for i = 2 the value of means the value for two Days ahead of the Day d, and for i = 5 the value of means the value for five Days ahead of the Day d; and |
|  | is the average forecast error (mcm) as derived in accordance with the following formula: |

For i = 2, 3, 4 and 5, and where:

|  |  |
| --- | --- |
|  | is the sum of x for all Days d of Regulatory Year t; and |
|  | is the demand forecast NTS throughput value (mcm) for all Days in Regulatory Year t published by the licensee on its website not later than 16:00 hours at two, three, four and five Days ahead (d-2, d-3, d-4, d-5) in respect of each Day of Regulatory Year t. Where the two, three, four or five Days ahead 16:00 forecast NTS throughput values are not published by 16:00 hours at two, three, four or five Days ahead (d-2, d-3, d-4, d-5) the next forecast published on the licensee's website for the gas Day concerned shall be used. |

### The Greenhouse Gas Emissions Incentive (GHGIRt)

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is derived in accordance with paragraph 4.5.18. |

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the venting incentive target (in tonnes of natural gas) and equals 2,897; |
|  | means the venting incentive performance measure (in tonnes of natural gas) calculated as the aggregate amount of natural gas released to the atmosphere by Venting from all Compressors; and |
|  | is derived in accordance with paragraph 4.5.19. |

* + 1. The value of (in £/tonne of Natural Gas Vented) is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the venting equivalent factor which equals 25; |
|  | is the non-traded carbon price (£/tCO2e) as derived in accordance with the following formula: |

where:

|  |  |
| --- | --- |
|  | is the sum of for months m=1 to m=12, where m=1 is the first month of Regulatory Year t and m=12 is the last month of Regulatory Year t; |
|  | is the latest Non Traded Central Carbon Price (£/tCO2e) for month m in Regulatory Year t as published in advance of month m by the Department for Business, Energy and Industrial Strategy (or any other government department from time to time taking on this responsibility) in year y prices; |
|  | is the inflation factor from year y prices to month m in Regulatory Year t as derived in accordance with the following formula: |

where:

|  |  |
| --- | --- |
|  | is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding Regulatory Year t; |
|  | is equal to the arithmetic average of the monthly retail prices index numbers for July to December (both inclusive) preceding year y. |

### The Greenhouse Gas Emissions Calculation Methodology

* + 1. The licensee must have in place and maintain a Greenhouse Gas Emissions Calculation Methodology approved by the Authority.
    2. The Greenhouse Gas Emissions Calculation Methodology must:
       1. calculate the mass of Natural Gas Vented in accordance with accepted greenhouse gas accounting and auditing principles; and
       2. unless the Authority otherwise consents, be accompanied by a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination of the Greenhouse Gas Emissions Calculation Methodology, and that the GHG Independent Examiner has verified the Greenhouse Gas Emissions Calculation Methodology. Such examination must include an assessment of whether the Greenhouse Gas Emissions Calculation Methodology is consistent with accepted greenhouse gas accounting and auditing principles.
    3. The licensee must by 31 July 2021, and by 31 July in each subsequent Regulatory Year, submit to the Authority:
       1. the mass (in tonnes) of the Natural Gas Vented calculated in accordance with the Greenhouse Gas Emissions Calculation Methodology, both in respect of the previous Regulatory Year; and
       2. unless the Authority otherwise consents, a statement from a GHG Independent Examiner confirming that the GHG Independent Examiner has carried out an examination to observe whether the mass calculated by the licensee in respect of the previous Regulatory Year in accordance with paragraph (a) has been determined in accordance with the Greenhouse Gas Emissions Calculation Methodology.
    4. The licensee may review, and if appropriate revise, the Greenhouse Gas Emissions Calculation Methodology.
    5. The licensee must notify the Authority that it plans to review the Greenhouse Gas Emissions Calculation Methodology before commencement of the review, outlining the reasons for such a review, unless the Authority has, within 28 days of receiving this notification, directed the licensee not to conduct a review.
    6. Before revising the Greenhouse Gas Emissions Calculation Methodology, and within 28 days after completing any review, the licensee must send to the Authority:
       1. a report on the outcome of the review;
       2. a statement of any proposed revisions or modifications to the Greenhouse Gas Emissions Calculation Methodology that the licensee having regard to the outcome of the review reasonably considers would better achieve the principles and criteria set out in paragraph 4.5.21(a); and
       3. a statement from a GHG Independent Examiner giving an opinion as to the extent to which any proposed revisions or modifications outlined by the licensee pursuant to paragraph 4.5.25(b) are consistent with accepted greenhouse gas accounting and auditing principles before 31 July in the Regulatory Year in which the modification is proposed to be effective.
    7. Following receipt of the report and statements under 4.5.25 the Authority will either:
       1. approve the revisions proposed by the licensee;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made to the methodology.

### The Maintenance Incentive (MIRt)

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the maintenance change incentive term and is derived in accordance with paragraph 4.5.28; |
|  | is the maintenance days incentive for work excluding Valve Operations term and is derived in accordance with paragraph 4.5.30; and |
|  | is the Maintenance Days incentive revenue for Valve Operations term and is derived in accordance with paragraph 4.5.32. |

* + 1. The value of is derived in accordance with the following formula:

If ≤ , then:

Otherwise:

].

* + 1. The value of (the Maintenance Change Performance Measure term) is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the total number of actual Maintenance Change Days for Regulatory Year t; |
|  | is the maintenance change incentive target (Days) as derived in accordance with the following formula:    where: |
|  | is the Maintenance Workload (in Days) for Regulatory Year t. |

* + 1. The value of is derived in accordance with the following formula:

If ≥ then:

otherwise:

* + 1. (the Maintenance Days Incentive Performance Measure for work excluding Valve Operations term) is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the number of Advice Notice Days that excludes Valve Operations in Regulatory Year t; |
|  | is the Advice Notice Days Target, excluding Valve Operations, as derived in accordance with the following formula:  ; and |
|  | is the total volume of Customer Impacting Work excluding Valve Operations as derived in accordance with the licensee's Maintenance Plan for Regulatory Year t. |

* + 1. The value of (the Maintenance Days incentive revenue for Valve Operations, £m) is derived in accordance with the following formula:

If ≤ 10, then

otherwise:

* + 1. MPMVt (the Maintenance Days performance measure for Valve Operations work, in Days) is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the target number of Maintenance Plan Days, other than Advice Notice Days, in respect of Valve Operations, which shall take the value of 11 (unless otherwise directed by the Authority following notification to it by the licensee of a change made to maintenance and operational policy to comply with new or revised safety regulations, including the Pipeline Safety Regulations 1996 (S.I. 1996/825); and |
|  | is the total number of Maintenance Plan Days, other than Advice Notice Days, on which the licensee has undertaken Maintenance in respect of Valve Operations in Regulatory Year t. |

### Maintenance and Operational Planning

* + 1. The licensee must use best endeavours to communicate its Maintenance Plan, covering a three year period, to Maintenance Relevant Parties who may be affected by planned Maintenance as soon as is reasonably practicable.
    2. The licensee must give adequate publicity of its Maintenance Plan to industry parties who are not likely to be affected by planned Maintenance as soon as is reasonably practicable.
    3. The licensee must use best endeavours to update its Maintenance Plan at least once in each Regulatory Year.
    4. The licensee must include in its Maintenance Plan:
       1. the type of work the licensee intends to carry out and the reasons for carrying out the work;
       2. the location of the work the licensee intends to carry out;
       3. an indication of the impact of any work identified on Maintenance Relevant Parties (for example in relation to a requirement for a reduced flow, steady flow or total cessation of the flow of gas);
       4. an indication of the dates upon which any work identified will take place; and
       5. an indication of the duration of the work identified (number of hours or days).
    5. The licensee's communications under this condition must, as far as is practicable, include the publication of Maintenance requirements on the licensee's website and include the appropriate contact details for the licensee.
    6. For the avoidance of doubt, this condition does not require the licensee to provide any information that, in the opinion of the licensee, may be commercially sensitive or confidential, or which it would, but for the application of this condition, not be entitled to disclose as a result of the application of section 105 of the Utilities Act 2000 (general restrictions on disclosure of information).
    7. The licensee must use reasonable endeavours to agree all changes to its Maintenance Plan with any Maintenance Relevant Parties who may be affected by the Maintenance set out in the Maintenance Plan.
    8. The licensee must use reasonable endeavours to ensure all Maintenance Relevant Parties are aware of the Minor Works Agreement.
    9. By 1 June in each Regulatory Year, the licensee must publish a report on its website that:
       1. summarises the Maintenance that it undertook in the previous Regulatory Year, and
       2. details the changes made to its Maintenance Plan in respect of the previous Regulatory Year.
    10. The licensee must collate and provide to the Authority by 31 July 2024 sufficient information in respect of its Maintenance Plan and changes to its Maintenance Plan to allow the Authority to implement updated financial incentives in respect of Maintenance, which must include:
        1. the number of Maintenance Relevant Parties affected by each occasion when the licensee has undertaken Maintenance, and
        2. the licensee's response when a Maintenance Relevant Party requests a change to the Maintenance Plan.
    11. In relation to obligations to report on the length of both Short ILI and Long ILI, the licensee must publish an ILI Report in respect of the preceding Regulatory Year.
    12. A report must be published:
        1. by 1 June 2022, and
        2. once in each subsequent twelve months;

but the Authority may by direction require a report to be published before or at other specified times.

### Procurement of Operating Margins

* + 1. The licensee must use reasonable endeavours to procure its Operating Margins Requirements in an economic and efficient manner and to promote competition in the provision of Operating Margins to the licensee.
    2. To meet its obligations pursuant to paragraph 4.5.46, the licensee must, wherever the licensee considers it is appropriate to do so, consult with Interested Parties on the actions it proposes to take to procure Operating Margins and to promote competition in the provision of Operating Margins.
    3. The licensee must:
       1. provide to the Authority an Operating Margins Report; and
       2. publish a non-confidential version of the Operating Margins Report on its website.
       3. The Report must be provided and published:
          1. by 31 August 2022; and
          2. by 31 August in each subsequent Regulatory Year,
       4. unless the Authority otherwise directs.
    4. The Operating Margins Report must set out:
       1. for the Operating Margins Report provided in respect of the Storage Year ending on 30 April 2022 and each Operating Margins Report provided thereafter, the actions the licensee has taken pursuant to its obligations under this condition during the previous Storage Year;
       2. the actions the licensee has taken pursuant to its obligations under this condition in the current Storage Year;
       3. details of the Operating Margins services it has procured for the current Storage Year; and
       4. a summary of the purchasing activities and exchange trades the licensee has taken during the previous and current Storage Years.
    5. The Operating Margins Report must be in a format that the licensee considers reasonable.
    6. The Authority may direct the licensee to provide and publish the Operating Margins Report in a format different to that considered for the purposes of paragraph 4.5.50; and a direction under this paragraph will be given at least 28 days before the agreed date for publication under paragraph 4.5.48(c).

### System costs

* + 1. The value of is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | is the sum of x over all Relevant Quarter Years q in the Regulatory Year t; |
|  | is the total costs incurred by the licensee less any revenues received from third parties in respect of Relevant Quarter Year q in Regulatory Year t in the management of NTS Shrinkage, excluding payments under ; and |
|  | is the total costs incurred by the licensee in respect of Relevant Quarter Year q in Regulatory Year t in procuring electricity for the purposes of operating Electric Compressors. |

### Requirement to undertake UAGCVS Projects to investigate the causes of UAG and CVS

* + 1. The licensee must use reasonable endeavours to undertake UAG Projects and CVS Projects for the purposes of investigating the causes of UAG and CVS for each Regulatory Year.
    2. The licensee must publish UAGCVS Reports detailing the findings of its UAG Projects and CVS Projects on its website and provide a copy to the Authority.
    3. The licensee must outline in the UAGCVS Report:
       1. the UAG Projects and CVS Projects the licensee has undertaken in the previous period;
       2. the UAG Projects and CVS Projects the licensee proposes to undertake in the next period and its views on whether, and if so how, the findings of the UAG Projects or the CVS Projects may be taken forward in order to reduce the volume of UAG and CVS;
       3. the reasons why any UAG Projects or CVS Projects that the licensee proposed to undertake have not been undertaken during the Regulatory Year; and
       4. a summary of any relevant discussions concerning UAG or CVS at industry fora and with interested parties on a one-to-one basis.
    4. The licensee must, unless the Authority otherwise directs, publish the UAGCVS Reports by 1 May 2021, 1 November 2021, and once in each subsequent period of six months.
    5. During the period of 28 days beginning with the date of publication of a UAGCVS Report the licensee must, unless the Authority otherwise consents, publish on its website all the relevant data referred to in the UAGCVS Report.

### Requirement to provide Shrinkage Procurement Comparison Reports in the management of NTS Shrinkage costs

* + 1. The licensee must, unless the Authority otherwise consents, by 31 July 2022 and once in each subsequent period of twelve months, provide to the Authority a Shrinkage Procurement Comparison Report on its annual costs incurred in the management of NTS Shrinkage during the previous Regulatory Year.
    2. The Shrinkage Procurement Comparison Report must include:
       1. the total actual annual costs incurred by the licensee, less any revenues received from third parties in the management of NTS Shrinkage (other than those payments in procuring electricity for the purposes of operating Electric Compressors) in respect of the previous Regulatory Year; and
       2. comparisons between the costs identified in paragraph 4.5.59(a) with estimated Perfect Foresight costs and Prompt Costs in respect of the previous Regulatory Year.

### The FGVT Statement

* + 1. The licensee must have in place an FGVT Statement showing the methods by which, and the principles on which, the forward gas volume target ( for the purposes of calculating Perfect Forecast costs under 4.5.59(b) is to be determined.
    2. Prior to the commencement of the Regulatory Year commencing on 1 April 2021 and before the commencement of each subsequent Regulatory Year, the licensee must use reasonable endeavours to publish on its website the FGVT Statement to apply in respect of that Regulatory Year.
    3. Unless the Authority otherwise directs, the licensee must use reasonable endeavours to publish a statement from an FGVT Independent Examiner by 31 July 2022 and by 31 July in each subsequent Regulatory Year in respect of the previous Regulatory Year, confirming that the FGVT Independent Examiner has carried out an examination of the application of the FGVT Statement.
    4. The examination must include:
       1. examination of the analysis and formulae to confirm that the methods and principles referred to in 4.5.60 have been correctly applied; and
       2. analysis of data flows to observe whether the value derived for has been determined correctly in accordance with the FGVT Statement.
    5. Prior to the publication of the FGVT Statement on the licensee's website in respect of the Regulatory Year commencing on 1 April 2021 and prior to any modification to the FGVT Statement the licensee must:
       1. consult interested parties on the FGVT Statement and, where applicable, any proposed modification and allow them a period of not less than 28 days within which to make written representations; and
       2. furnish the Authority with a report setting out:
          1. the original FGVT Statement and any modification proposal;
          2. the representations (if any) made by interested parties; and
          3. any changes to the proposed FGVT Statement and any proposed modification as a consequence of such representations.
    6. The Authority will either:
       1. Approve the FGVT Statement and any proposed revisions;
       2. reject the FGVT Statement or any proposed revisions; or
       3. reject any proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    7. Notwithstanding the licensee's ability to modify the FGVT Statement as described in paragraph 4.4.64, the licensee will use reasonable endeavours to undertake a full review of the FGVT Statement so that any consequential modification can be achieved prior to commencement of the Regulatory Year commencing on 1 April 2025.

# Innovation

## Total innovation allowance (INNVt)

### Introduction

* + 1. The purpose of this condition is to calculate the term INNVt (the innovation allowance term). This contributes to the calculation of Calculated Revenues in Special Condition 2.1 (Revenue Restriction).

### Formula for calculating total innovation allowance

* + 1. The value of INNVt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *NIAt* | is derived in accordance with Special Condition 5.3; |
| *CNIAt* | is derived in accordance with Special Condition 5.4. |

## RIIO-2 Network Innovation Allowance (NIAt)

Introduction

* + 1. The purpose of this condition is to calculate NIAt (the Network Innovation Allowance term). This contributes to the calculation of the term INNVt (the innovation term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to fund investment in innovation by means of the NIA.
    3. This condition also establishes a framework for the governance and administration of the NIA.

### Formula for calculating the Network Innovation Allowance (NIAt)

* + 1. The value of NIAt term is the total Allowable NIA Expenditure incurred by the licensee, subject to the following limit:

### The RIIO-2 NIA Governance Document

* + 1. The licensee must comply with the RIIO-2 NIA Governance Document.
    2. The Authority will issue and amend the RIIO-2 NIA Governance Document by direction.
    3. The Authority will publish the RIIO-2 NIA Governance Document on the Authority’s Website.
    4. The RIIO-2 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:
       1. the definition of Allowable NIA Expenditure and Unrecoverable NIA Expenditure;
       2. the eligibility criteria which RIIO-2 NIA Projects must meet;
       3. the information that is to be published by the licensee before RIIO-2 NIA Projects can begin;
       4. the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-2 NIA Project, and the processes and procedures for that approval;
       5. arrangements for ensuring that learning from RIIO-2 NIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
       6. the reporting obligations in respect of RIIO-2 NIA Projects (which may include reporting in respect of the funding and the completion of such projects, and the provisions of the RIIO-2 NIA Governance Document); and
       7. arrangements relating to the treatment of intellectual property rights in respect of RIIO-2 NIA Projects.
    5. Before directing that the RIIO-2 NIA Governance Document comes into effect, the Authority will publish on the Authority’s Website:
       1. the text of the proposed RIIO-2 NIA Governance Document;
       2. the date on which the Authority intends the RIIO-2 NIA Governance Document to come into effect; and
       3. a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.
    6. Before directing an amendment to the RIIO-2 NIA Governance Document, the Authority will publish on the Authority’s Website:
       1. the text of the amended RIIO-2 NIA Governance Document;
       2. the date on which the Authority intends the amended RIIO-2 NIA Governance Document to come into effect;
       3. the reasons for the amendments to the RIIO-2 NIA Governance Document; and
       4. a period during which representations may be made on the content of the RIIO-2 NIA Governance Document, which will not be less than 28 days.

## Carry-over RIIO-1 Network Innovation Allowance (CNIAt)

Introduction

* + 1. The purpose of this condition is to calculate the term CNIAt (the Carry-over Network Innovation Allowance term). This contributes to the calculation of the term INNVt (the innovation term), which in turn feeds into Calculated Revenue in Special Condition XX (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to extend RIIO-1 Network Innovation Allowance funding.
    3. This condition also makes appropriate provision for arrangements relating to the regulation, administration and governance of the Carry-over Network Innovation Allowance.

### Formula for calculating the Carry-over NIA term (CNIAt)

* + 1. For the Regulatory Year commencing on 1 April 2021, the value of CNIA is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| ECNIAt | means the expenditure incurred by the licensee in respect of Eligible CNIA Projects as calculated by the licensee in accordance with the RIIO-1 NIA Governance Document and reported to the Authority in accordance with Standard Special Condition A40 (Regulatory Instructions and Guidance); |
| CNIAV | is derived in accordance with Part B; and |
| CNIAR | means an amount recovered by the licensee in relation to Regulatory Year 2021/22 under the RIIO-1 NIA which the Authority has directed is unrecoverable in accordance with the RIIO-1 NIA Governance Document. |
| *PIt* | is the price index calculated in accordance with Part D of Special Condition 2.1. |

* + 1. For Regulatory Years commencing on or after 1 April 2022, the value of CNIAt is equal to zero.
    2. Eligible CNIA Internal Expenditure may not exceed 25% of the total Eligible CNIA, unless the Authority consents.

### Formula for calculating the Carry-over Network Innovation Allowance Value term (CNIAV)

* + 1. The value of CNIAV is derived in accordance with the following formula:

where:

|  |
| --- |
| the value of is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; |
| the value of is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; |
| the value of is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; and |
| the value of is calculated in accordance with Part B of Special Condition 1H (The Network Innovation Allowance) of this licence as in force on 31 March 2021; |

### The RIIO-1 NIA Governance Document

* + 1. The licensee must comply with the RIIO-1 NIA Governance Document.
    2. The Authority will amend the RIIO-1 NIA Governance Document by direction.
    3. The RIIO-1 NIA Governance Document makes and will continue to make provision in respect of:
       1. arrangements for ensuring that relevant learning from Eligible CNIA Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees in whose licence a condition of equivalent affect to this has effect;
       2. the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the RIIO-1 NIA Governance Document);
       3. arrangements relating to the treatment of intellectual property rights in respect of Eligible CNIA Projects; and
       4. any other matters relating to the regulation, governance or administration of the Carry-over Network Innovation Allowance.

### Procedure for amending the RIIO-1 NIA Governance Document

* + 1. Before amending the RIIO-1 NIA Governance Document by direction, the Authority will publish on the Authority’s Website:
       1. the text of the amended RIIO-1 NIA Governance Document;
       2. the date on which the Authority intends the amended RIIO-1 NIA Governance Document to come into effect;
       3. the reasons for the amendments to the RIIO-1 NIA Governance Document; and
       4. a period during which representations may be made on the amendments to the RIIO-1 NIA Governance Document, which will not be less than 28 days.

# Pass-through expenditure

## Transportation Owner pass-through items (TOPTt)

Introduction

* + 1. The purpose of this condition is to calculate the term TOPTt (the Transportation Owner allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to ensure that the licensee’s Allowed Revenue reflects that certain costs can be passed through to users.

### Formula for calculating the allowed pass-through term (TOPTt)

* + 1. The TOPTt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| *RB*t | means the amount levied on the licensee in respect of the Prescribed Rates (or any equivalent tax or duty replacing them) or an amount directed under Part B; |
| *LF*t | means the payments made by the licensee in respect of the NTS Transportation Owner Activity under Standard Condition 3 (Payments by the Licensee to the Authority); |
| *EDE*t | means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year; |
| *BDt* | is derived in accordance with Part C; |
| *OPTCt* | means the payments made by the licensee to the Secretary of State in respect of Policing Costs; |
| *ISt* | is derived in accordance with paragraph XX.4 of Special Condition XX (Gas Conveyed to Independent Systems); and |
| *PTVt* | means the PARCA Termination Value derived in accordance with Part D. |

### Review of Prescribed Rates pass-through term (RBt)

* + 1. As part of any periodic revaluation, the licensee must:
       1. engage with the Relevant Valuation Agency; and
       2. use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
    2. The Authority will review the licensee’s engagement with the Relevant Valuation Agency with respect to a revaluation.
    3. If, after reviewing the licensee’s engagement with the Relevant Valuation Agency with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RBt by direction.

### Formula for calculating the Bad Debt term (BDt)

* + 1. The value of BDt is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
|  | means the aggregate value of Bad Debt the licensee has incurred or expects to incur with respect to NTS Transportation Owner Charges or System Operator Transportation Charges owed to the licensee by one or more Defaulting Gas Shippers, inclusive of interest income accrued at the default rate set out in the Uniform Network Code; and |
|  | means the aggregate value of Bad Debt previously recovered by the licensee via the BDAt term, where the licensee has been credited by the administrator or liquidator of a Defaulting Gas Shipper. |

* + 1. The values for BDAt and BDAt are to be reported in accordance with the PCFM Guidance.

### Review PARCA Termination Value pass-through term (PTVt)

* + 1. If the licensee intends to pass-through a PARCA Termination Value, the licensee must send a notice to the Authority setting out the PARCA Termination Costs and the PARCA Termination Amounts received from PARCA Applicants.
    2. If, after reviewing the licensee’s notice under paragraph 6.4.8, the Authority considers that an adjustment should be made to the PARCA Termination Value proposed by the licensee, the Authority will adjust the value of PTVt by direction.

## Gas conveyed to Independent Systems (ISt)

Introduction

* + 1. The purpose of this condition is to calculate the term ISt (the Independent Systems terms), which feeds into PTt (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition XX (Transportation Owner Revenue Restriction).
    2. This condition also requires the licensee to recover the costs of connecting Independent Systems from Gas Shippers and then pay those amounts to DN Operators and Relevant Shippers, with any difference between amounts recovered and passed through to consumers.

### Formula for calculating the Independent Systems term (ISt)

* + 1. The value of ISt is derived in accordance with the following formula:

ISt = BPDt + SGNACPt

where:

|  |  |
| --- | --- |
| BPDt | is the Bulk Price Differential; and |
| SGNACPt | is the amount the licensee must pay to SGN under paragraph 9.16.5. |

### Requirements relating to the Bulk Price Differential (BPDt)

* + 1. The licensee must, in respect of each Independent System, pay to the Relevant Shipper the Bulk Price Differential divided equally on a quarterly basis for the relevant Regulatory Year or at such other intervals of time as agreed with the Relevant Shipper.

### Requirements relating to SGN (SGNACPt)

* + 1. The licensee must pay to SGN the amount in Table 1 divided equally on a quarterly basis for the relevant Regulatory Year or at such other intervals of time as agreed with SGN.

Table 1: Transportation charges (£m)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Licensee/Regulatory Year | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| SGN (SGNACPt) | XX | XX | XX | XX | XX |

### Recovery and reporting of costs by the licensee

* + 1. The licensee must use reasonable endeavours to recover an amount equal to ISt from Gas Shippers in the relevant Regulatory Year to which such amounts or payments (as the case may be) relate.
    2. The licensee must by 31 July in each Regulatory Year submit to the Authority a statement that sets out:
       1. each of the Bulk Price Differential payments made by the licensee to Relevant Shippers in the previous Regulatory Year pursuant to paragraph 9.16..4; and
       2. each of the payments made by the licensee to SGN in the previous Regulatory Year pursuant to paragraph 9.16..5.
    3. The statement submitted under paragraph 9.16.7 must be in such form, and provide such detail, as the Authority may direct.

## System Operator pass-through items (SOPTt)

Introduction

* + 1. The purpose of this condition is to calculate the term SOPTt (the System Operator allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.5 (System Operator Revenue Restriction).
    2. The effect of this condition is to ensure that the licensee’s SO Allowed Revenue reflects that certain costs can be passed through to customers.

### Formula for calculating the allowed pass-through term (SOPTt)

* + 1. The SOPTt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| CDSPt | means CDSP Costs, excluding UK Link Gemini Costs. |

# Legacy Adjustments

## Transportation Owner legacy adjustments (LARt)

### Introduction

* + 1. The purpose of this condition is to calculate the term LARt (the Transportation Owner legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).

### Formula for calculating the Transportation Owner legacy adjustments (LARt)

* + 1. The value of the LARt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| LPTt | is derived in accordance with Special Condition 7.2 (Transportation Owner legacy pass-through). |
| LMODt | has the value in sheet X of the GT2 Price Control Financial Model unless the Authority directs otherwise under Special Condition 7.3 (Transportation Owner legacy MOD). |
| LKt | is derived in accordance with Special Condition 7.4 (Transportation Owner legacy K correction); |
| LTRUt | is derived in accordance with Special Condition 7.5 (Transportation Owner legacy TRU term); |
| NOCOt | is derived in accordance with Special Condition 7.6 (Close out of the RIIO-1 Network Outputs); |
| NICFt | is derived in accordance with Special Condition 7.7 (RIIO-1 Network Innovation Competition); and |
| SSCOt | is derived in accordance with Special Condition 7.8 (Close out of the RIIO-GT1 Stakeholder Satisfaction Output). |

## Transportation Owner legacy pass-through (LPTt)

Introduction

* + 1. The purpose of this condition is to calculate the term LPTt (the Transportation Owner legacy pass-through term). This contributes to the calculation of the LARt (the Transportation Owner legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 pass-through term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect pass-through item adjustments relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the Transportation Owner legacy pass-through term (LPTt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LPT has the value of PT as determined in accordance with Special Condition 1C (Distribution Network allowed pass-through items) of this licence as in force on 31 March 2021.
    2. The value of LPTt for Regulatory Years commencing on or after 1 April 2023 is zero.

## Transportation Owner legacy MOD (LMODt)

Introduction

* + 1. This condition explains the process the Authority will follow when directing values for LMODt (the Transportation Owner legacy MOD term). This contributes to the calculation of the term LARt (the Transportation Owner legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect is to reflect the close out of the RIIO-1 Price Control Financial Model.

### Authority Assessment and direction

* + 1. The Authority will direct revisions to LMODt coinciding with the Annual Iteration Process.
    2. Before making a direction under paragraph 7.3.3 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Transportation Owner legacy K correction (LKt)

Introduction

* + 1. The purpose of this condition is to calculate the term LKt (the Transportation Owner legacy correction term). This contributes to the calculation of the LARt (the Transportation Owner legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 correction term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect correction values relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the legacy correction term (LKt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LK has the value of K as determined in accordance with Part D of Special Condition 1B (Restriction of revenue in respect of the Distribution Network Transportation Activity) of this licence as in force on 31 March 2021.
    2. The value of LKt for Regulatory Years commencing on or after 1 April 2023 is zero.

## Transportation Owner legacy TRU term (LTRUt)

Introduction

* + 1. The purpose of this condition is to calculate the term LTRUt (the Transportation Owner legacy TRU term). This contributes to the calculation of the LARt (the Transportation Owner legacy adjustments term), which in turn feeds into the Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect TRU adjustments relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the Transportation Owner legacy TRU term (LTRUt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of LTRUt has the value of TRUt as determined in accordance with Part C of Special Condition 1B (Restriction of revenue in respect of the Distribution Network Transportation Activity) of this licence as in force on 31 March 2021.
    2. The value of LTRUt for Regulatory Years commencing on or after 1 April 2023 is zero.

## Close out of the RIIO-1 Network Outputs (NOCOt)

Introduction

* + 1. The purpose of this condition is to set out the process for deciding the term NOCOt (the RIIO-1 Network Outputs close out term). This contributes to the calculation of the LARt term (the legacy adjustment term), which in turns feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to adjust the licensee's revenue to reflect its RIIO-1 Network Outputs delivery.

### RIIO-1 Network Outputs information to be provided by the licensee

* + 1. By 31 July 2021, the licensee must provide to the Authority a report consistent with the requirements of the NOMs Incentive Methodology which sets out why it considers that it has delivered:
       1. any RIIO-1 Network Output in accordance with the relevant specifications; and
       2. any RIIO-1 Materially Equivalent Outputs; and
       3. any RIIO-1 Justified Material Over-delivery or Under-delivery.

### Process for directing the RIIO-1 Network Outputs term (NOCOt)

* + 1. The Authority will assess the licensee's RIIO-1 Network Outputs delivery in accordance with the principles in Appendix 1, which are further clarified and supplemented by the NOMs Incentive Methodology.
    2. Before directing the value of NOCOt, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons why it proposes to issue the direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

Treatment of under-delivery and over-delivery of RIIO-1 Network Outputs

|  |  |  |
| --- | --- | --- |
| Incentives | Justified | Unjustified |
| Over-delivery | Cost of over-delivery will be included in the licensee's revenue.  The financing cost incurred by the licensee in advancing investment will be reimbursed.  Reward of 2.5 per cent of the additional costs associated with the material over-delivery. | Cost of over-delivery will be included in the licensee's revenue.  The licensee will incur the financing cost of earlier investment. |
| Under-delivery | Cost of under-delivery will be excluded from the licensee's revenue.  The licensee will benefit from the financing cost of delayed investment. | Cost of under-delivery will be excluded from the licensee's revenue.  The benefit arising to the licensee from the financing cost of delayed investment will be clawed back.  Penalty of 2.5 per cent of the avoided costs associated with the material under-delivery. |

## Close out of RIIO-1 Network Innovation Competition (NICFt)

Introduction

* + 1. The purpose of this condition is to set out the process for deciding the term NICFt (the Network Innovation Competition term). This contributes to the calculation of the LARt term (the legacy adjustment term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The Network Innovation Competition ran during the RIIO-1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements that will enable the Authority to determine the value of NICFt and for arrangements relating to the governance and administration of the NIC Funding transferred before 1 April 2021.
    3. Parts B to D are subject to the relevant provisions of the NIC Governance Document.

### The NIC Funding Mechanism

* + 1. The Authority may direct how the Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

### The Network Innovation Competition term (NICFt)

* + 1. In each Regulatory Year, in accordance with the appropriate provisions set out in the NIC Governance Document, the Authority will calculate, and then by direction given to the licensee, specify:
       1. the value of NICFt for the licensee;
       2. the net amounts that are to be transferred between the licensee and other Gas Transporter Licensees in order to ensure that each Gas Transporter Licensee receives an amount (if any) equal to the proportion of the NIC Funding for that Regulatory Year that is attributable to its Eligible NIC Projects (adjusted to take into account the amount of any Funding Return); and
       3. the manner in which and the timescale over which the net amounts referred to in subparagraph (b) are to be transferred.
    2. The licensee must comply with any direction issued by the Authority under paragraph 7.3.6, to the extent that the direction is applicable to the licensee.

### The NIC Governance Document

* + 1. The licensee must comply with the NIC Governance Document.
    2. The Authority will amend the NIC Governance Document by direction.
    3. The Authority will publish the NIC Governance Document on the Authority's Website.
    4. The NIC Governance Document makes and will continue to make provision about:
       1. the process and procedures that will be in place for the assessment, approval, and financing of project funding (where necessary);
       2. arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
       3. the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);
       4. arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
       5. any other matters relating to the governance of the NIC.

### Procedure for revising the NIC Governance Document

* + 1. Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended NIC Governance Document;
       2. the date on which the Authority intends the amended NIC Governance Document to come into effect;
       3. the reasons for the amendments to the NIC Governance Document; and
       4. a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

## Close out of the RIIO-GT1 Stakeholder Satisfaction Output (SSCOt)

Introduction

* + 1. The purpose of this condition is to provide for the value of the SSCOt term (the RIIO-T1 Stakeholder Satisfaction Output close out term). This contributes to the calculation of the LARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Transportation Owner Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-T1 Stakeholder Satisfaction Output Delivery Incentive.

### Formula for calculating the RIIO-T1 Stakeholder Satisfaction Output close out term (SSCOt)

* + 1. The value of SSCOt is derived in accordance with Part A of Special Condition 2C Stakeholder Satisfaction Output (incentive adjustment) of this licence as in force on 31 March 2021.
    2. This condition will cease to have effect on 1 April 2022.

## PCFM Variable Value legacy price control adjustments - System Operator (SOLARt)

Introduction

* + 1. The purpose of this condition is to calculate the term SOLARt (the SO legacy adjustments term), which in turn feeds into SO Calculated Revenue in Special Condition 2.6 (System Operator Revenue Restriction).

### Formula for calculating the SO legacy adjustments term (SOLARt)

* + 1. The value of the SOLARt term is derived in accordance with the following formula:

where:

|  |  |
| --- | --- |
| SOLMODt | has the value in sheet X of the GT2 Price Control Financial Model unless the Authority directs otherwise under Special Condition 7.10 (System Operator Legacy MOD). |
| SOLKt | is derived in accordance with Special Condition 7.11 (System Operator legacy K correction); |
| SOLTRUt | is derived in accordance with Special Condition 7.12 (System Operator legacy TRU term); |
| LCMIRt | is derived in accordance with Special Condition 7.13 (Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management Incentive Revenue); and |
| LCMCAt | is derived in accordance with Special Condition 7.14 (Close out of the RIIO-GT1 Constraint Management Cost Adjustment). |

## System Operator legacy MOD (SOLMODt)

Introduction

* + 1. This condition explains the process the Authority will follow when directing values for the term LMODt (the System Operator legacy MOD term). This contributes to the calculation of the term SOLARt (the System Operator legacy adjustments term), which in turn feeds into the SO Calculated Revenue in Special Condition 2.6 (System Operator Revenue Restriction).
    2. The effect is to reflect the close out of the RIIO-1 Price Control Financial Model.

### Authority Assessment and direction

* + 1. The Authority will direct revisions to LMODt coinciding with the Annual Iteration Process.
    2. Before making a direction under paragraph 7.10.3 the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## System Operator legacy K correction (SOLKt)

Introduction

* + 1. The purpose of this condition is to calculate the term SOLKt (the System Operator legacy correction term). This contributes to the calculation of the SOLARt (the System Operator legacy adjustments term), which in turn feeds into the SO Calculated Revenue in Special Condition 2.6 (System Operator Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 correction term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect correction values relating to Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the System Operator legacy correction term (SOLKt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of SOLK has the value of SOK as determined in accordance with Part E of Special Condition 3A (Restriction of revenue in respect of the Distribution Network Transportation Activity) of this licence as in force on 31 March 2021.
    2. The value of SOLKt for Regulatory Years commencing on or after 1 April 2023 is zero.

## System Operator legacy TRU term (SOLTRUt)

Introduction

* + 1. The purpose of this condition is to calculate the term SOLTRUt (the System Operator legacy TRU term). This contributes to the calculation of the SOLARt (the System Operator legacy adjustments term), which in turn feeds into the SO Calculated Revenue in Special Condition 2.6 (System Operator Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-1 TRU term such that revenue in the Regulatory Years commencing on 1 April 2021 and 1 April 2022 reflect SOTRU adjustments relating to in Regulatory Years commencing on 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the System Operator legacy TRU term (SOLTRUt)

* + 1. For the Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of SOLTRUt has the value of SOTRUt as determined in accordance with Part D of Special Condition 3A (Restriction of revenue in respect of the Distribution Network Transportation Activity) of this licence as in force on 31 March 2021.
    2. The value of SOLTRUt for Regulatory Years commencing on or after 1 April 2023 is zero.

## Close out of the RIIO-GT1 Entry Capacity and Exit Capacity Constraint Management Incentive Revenue (LCMIRt)

Introduction

* + 1. The purpose of this condition is to calculate the LCMIRt term (the RIIO-GT1 Constraint Management Incentive Revenue close-out term). This contributes to the calculation of the SOLARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.5 (System Operator Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-GT1 Incentive in respect of Entry Capacity and Exit Capacity Constraint Management, such that revenue in Regulatory Years commencing 1 April 2021 and 1 April 2022 reflect the licensee’s performance under that incentive in Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the RIIO-GT1 Constraint Management allowed revenue close-out term (LCMIRt)

* + 1. For Regulatory Years commencing 1 April 2021 and 1 April 2022, the value of LCMIRt equivalent to CMIRt as calculated in accordance with Part F of Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021.
    2. For Regulatory Years commencing on or after 1 April 2023, the value of LCMIRt is equal to zero.

## Close out of the RIIO-GT1 Constraint Management Cost Adjustment (LCMCAt)

Introduction

* + 1. The purpose of this condition is to calculate the LCMCAt term (the RIIO-GT1 Constraint Management Cost Adjustment term). This contributes to the calculation of the SOLARt term (the legacy adjustments term), which in turn feeds into Calculated Revenue in Special Condition 2.5 (System Operator Revenue Restriction).
    2. The effect of this condition is to close out the RIIO-GT1 adjustment in respect of Entry Capacity and Exit Capacity Constraint Management costs, such that revenue in Regulatory Years commencing 1 April 2021 and 1 April 2022 reflect the appropriate adjustment for costs in in Regulatory Years commencing 1 April 2019 and 1 April 2020 respectively.

### Formula for calculating the RIIO-GT1 Constraint Management allowed revenue close-out term (LCMCAt)

* + 1. For Regulatory Years commencing 1 April 2021 and 1 April 2022, the value of LCMCAt is equivalent to CMCAt as calculated in accordance with Part G Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management) of this licence as in force on 31 March 2021.
    2. For Regulatory Years commencing on or after 1 April 2023, the value of LCMCAt is equal to zero.

# Governance

## Governance of the GT2 Price Control Financial Instruments

Introduction

* + 1. The purpose of this condition is to establish a robust and transparent change control framework for each of the following GT2 Price Control Financial Instruments:
       1. the GT2 Price Control Financial Handbook; and
       2. the GT2 Price Control Financial Model.

Part A: Assessment of the likely impact of an intended modification

* + 1. Before initiating any modification of a GT2 Price Control Financial Instrument, the Authority will assess whether that modification would be likely to have a significant impact on any of the following persons:
       1. the licensee;
       2. any other Gas Transporter Licensee in whose licence a condition equivalent to this one has effect;
       3. any person engaged in the shipping, transportation, or supply of gas conveyed through pipes or in the generation, transmission, distribution, or supply of electricity; and
       4. energy consumers (whether considered individually, as a whole, or by reference to any class or category) in Great Britain.
    2. In making the assessment required by paragraph 8.1.2, the Authority will have regard to all relevant factors including:
       1. any impact which an intended modification would be likely to have on any component of the licensee’s Allowed Revenue or SO Allowed Revenue or on any value, rate, time period, or calculation used in the determination of Allowed Revenue or SO Allowed Revenue; and
       2. in respect of modifications to the GT2 Price Control Financial Model, any views expressed by the GT2 Price Control Financial Model Working Group.
    3. For the purposes of paragraph 8.1.2, it is to be presumed that a modification which serves to correct a manifest error contained in a GT2 Price Control Financial Instrument will not have a significant impact on any of the persons mentioned in that paragraph.

Part B: Circumstances in which a modification may be made

* + 1. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of a GT2 Price Control Financial Instrument would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.2, it may modify that instrument by direction. Otherwise any modification will be made under section 23 of the Act.
    2. Before making a direction under paragraph 8.1.5, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the reasons for the proposed direction, including why the Authority believes that the modification would not be likely to have a significant impact on any of the persons mentioned in paragraph 8.1.2; and
       3. a period during which representations may be made on the proposed direction, which will not be less than 28 days.
    3. A direction under paragraph 8.1.5 will set out:
       1. the modifications to the Price Control Finance Instruments; and
       2. the date from which it is to have effect or the mechanism by which that date is to be determined.

Part C: Availability and updating of GT2 Price Control Financial Instruments

* + 1. This Part has effect in relation to the publication and availability of the GT2 Price Control Financial Handbook, and the GT2 Price Control Financial Model.
    2. The Authority will ensure that any modifications of the GT2 Price Control Financial Handbook, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Handbook maintained on the Authority’s Website.
    3. The Authority will ensure that any modifications of the GT2 Price Control Financial Model, whether under Part B or otherwise, are promptly incorporated into a consolidated version of the GT2 Price Control Financial Model maintained on the Authority’s Website.
    4. Without limiting the general effect of paragraph 8.1.10, the Authority will, by no later than 30 November in each Regulatory Year:
       1. publish on the Authority’s Website, in Microsoft Excel ® format, the version of the GT2 Price Control Financial Model that will be used to determine the value of the term ARt for the purposes of Part C of Special Condition 2.1 (Transportation Owner Revenue Restriction) and SOARt for the purposes of Part C of Special Condition 2.5 (System Operator Revenue Restriction);
       2. ensure that the electronic name of the file is “GT2 PCFM” followed by “November 20XX” where 20XX represents the calendar year containing the month of November prior to the Regulatory Year t;
       3. ensure that the words “GT2 Price Control Financial Model for the Annual Iteration Process that will take place by 30 November” followed by the preceding Regulatory Year expressed in the format 20XX/XX are included as text within the file itself; and
       4. publish an up-to-date schedule of any modifications that have been made to the GT2 Price Control Financial Model, whether under Part B or otherwise, up to and including the date of publication.
    5. The first Regulatory Year in which the Authority will publish a version of the GT2 Price Control Financial Model on the Authority’s Website for the purposes of paragraph 8.1.11 will be Regulatory Year 2021/22 and the last Regulatory Year will be 2024/25.

## Annual Iteration Process for the GT2 Price Control Financial Model

### Introduction

* + 1. The purpose of this condition is to set out the steps of the Annual Iteration Process that will be carried out by the licensee and the Authority each year in relation to the GT2 Price Control Financial Model, in order to determine the value of the terms ARt for the purposes of Special Condition XX (Transportation Owner Revenue Restriction) and SOARt for the purposes of Special Condition 2.5 (System Operator Revenue Restriction).
    2. This condition also explains the process the Authority will follow in issuing and amending the PCFM Guidance.

### Steps comprising the Annual Iteration Process

* + 1. The paragraphs in this Part set out the steps that comprise the Annual Iteration Process.
    2. Step 1: The licensee must, by 31 July prior to each Regulatory Year:
       1. complete the PCFM Variable Values Table with the PCFM Variable Values in accordance with the PCFM Guidance;
       2. run the GT2 Price Control Financial Model to calculate the terms ARt and SOARt;
       3. save the GT2 Price Control Financial Model; and
       4. submit the GT2 Price Control Financial Model to the Authority.
    3. Step 2: The Authority will, taking into account any decisions made by it in relation to PCFM Variable Values under Chapters 2 to 7:
       1. review the GT2 Price Control Financial Model submitted by the licensee and confirm or amend any PCFM Variable Values; or
       2. where the licensee has not complied with Step 1, complete the PCFM Variable Values Table.
    4. Step 3: The Authority will run the GT2 Price Control Financial Model to calculate the terms ARt and SOARt.
    5. Step 4: The Authority will publish the value of the terms ARt and SOARt on the Authority's Website in accordance with Part B.
    6. In relation to Step 1 in paragraph 8.2.5:
       1. where a PCFM Variable Value is not known at the time of submission, the licensee must calculate that value in accordance with the GT2 Price Control Financial Handbook or the PCFM Guidance, as applicable and otherwise provide its best estimate using the information available at the time; and
       2. where any PCFM Variable Value relies on a third-party publication that ceases to be published or no longer contains the value required, the value from the most recent publication that did contain the value must be used.

### Publication of the value of the terms ARt and SOARt

* + 1. The value of the terms ARt and SOARt will be published by the Authority no later than 30 November prior to each Regulatory Year.
    2. Before publishing the value of the terms ARt and SOARt, the Authority will:
       1. send to the licensee
          1. a notice stating the values for ARt and SOARt that it proposes to publish; and
          2. a copy of the GT2 Price Control Financial Model, which will contain the data used to calculate the values proposed for ARt and SOARt; and
       2. specify a period during which representations may be made on the value of ARt and SOARt, which will not be less than 14 days.

### What if the Annual Iteration Process is not completed by 30 November?

* + 1. If the Authority does not publish values for ARt and SOARt by 30 November prior to any Regulatory Year, then the Annual Iteration Process will not have been completed and the provisions set out in paragraphs 8.2.12 and 8.2.13 will apply.
    2. The Authority will complete the Annual Iteration Process as soon as is practicable after 30 November by publishing values for ARt and SOARt.
    3. In the intervening period (between the 30 November and the date the values of ARt and SOARt are published under paragraph 8.2.12), the values of ARt and SOARt will be held to be equal to a value ascertained by:
       1. taking a copy of the GT2 Price Control Financial Model in its state following the last completed Annual Iteration Process which, for the avoidance of doubt, will exclude the effect of any functional modifications under Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments) made after the completion of that Annual Iteration Process;
       2. using the selection facilities on the user interface sheet contained in that copy to select:
       3. the name of the licensee; and
       4. the Regulatory Year equating to the Regulatory Year t; and
       5. recording the value of the terms ARt and SOARt that are shown as output values.

### The final year of the GT2 Annual Iteration Process and other clarifications

* + 1. The last Regulatory Year in which there will be an Annual Iteration Process for the GT2 Price Control Financial Model is 2024/2025 for the purpose of determining the value of the term ARt and SOARt for Regulatory Year 2025/26.
    2. For the avoidance of doubt, neither:
       1. an Annual Iteration Process for the GT2 Price Control Financial Model carried out in accordance with this condition, including in particular the steps set out in Part A; nor
       2. a change to the Regulatory Year included in the name of and text within the GT2 Price Control Financial Model (as referred to at paragraphs 8.1.11 (b) and (c)) of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments),
       3. will constitute a modification of the GT2 Price Control Financial Model within the meaning of Part B of Special Condition 8.1 (Governance of the GT2 Price Control Financial Instruments).
    3. Where any PCFM Variable Values are revised for years earlier than Regulatory Year t, the effect of using those revised values in the Annual Iteration Process will, subject to a Time Value of Money Adjustment, be reflected in the calculation of the terms ARt and SOARt for Regulatory Year t and, for the avoidance of doubt, it will not have any retrospective effect on a previously published value of the terms ARt or SOARt.

### The PCFM Guidance

* + 1. The licensee must comply with the PCFM Guidance when completing the Annual Iteration Process.
    2. The Authority will issue and amend PCFM Guidance by direction.
    3. The Authority will publish the PCFM Guidance on the Authority's Website.
    4. The PCFM Guidance will make provision about:
       1. instructions and guidance on how to populate the PCFM Variable Values for submission for an Annual Iteration Process;
       2. instructions and guidance on the process and timeframe for reporting and submitting the required data; and
       3. any requirements for supporting information, documentation or commentary that are to be submitted.
    5. Before directing that the PCFM Guidance comes into effect, the Authority will publish on the Authority's Website:
       1. the text of the proposed PCFM Guidance;
       2. the date on which the Authority intends the PCFM Guidance to come into effect; and
       3. a period during which representations may be made on the content of the PCFM Guidance, which will not be less than 28 days.
    6. Before directing an amendment to the PCFM Guidance, the Authority will publish on the Authority's Website:
       1. the text of the proposed amended PCFM Guidance;
       2. the date on which the Authority intends the amended PCFM Guidance to come into effect;
       3. the reasons for the amendments to the PCFM Guidance; and
       4. a period during which representations may be made on the amendments to the PCFM Guidance, which will not be less than 28 days.

# General Obligations

## Annual Environmental Report

Introduction

* + 1. This condition requires the licensee to prepare and publish an Annual Environmental Report.
    2. The purpose of an Annual Environmental Report is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and the licensee's progress against its Environmental Action Plan commitments.
    3. This condition also explains the process the Authority will follow in issuing and amending Environmental Reporting Guidance, which the licensee must comply with when preparing its Annual Environmental Report.

### Requirement to prepare and publish an Annual Environmental Report

* + 1. The licensee must prepare an Annual Environmental Report in accordance with the Environmental Reporting Guidance (as amended from time to time).
    2. The licensee must publish an Annual Environmental Report for the preceding Regulatory Year on or before the date specified in the Environmental Reporting Guidance.
    3. The licensee must ensure its Annual Environmental Report is readily accessible to the public from the licensee’s website.

### Environmental Reporting Guidance

* + 1. The Authority will issue and amend Environmental Reporting Guidance by direction.
    2. The Authority will publish Environmental Reporting Guidance on the Authority's Website.
    3. The Environmental Reporting Guidance will set out how the licensee must prepare its Annual Environmental Report, including the following:
       1. the engagement the licensee is required to undertake with stakeholders to help inform the development of its Annual Environmental Report;
       2. the requirements for the structure and level of detail to be included in the Annual Environmental Report, including some of the data metrics to be used, as well as expectations about the level of explanatory text to be included; and
       3. the environmental impacts, relevant Environmental Action Plan Commitments, business practices, existing obligations and activities that must be covered in the Annual Environmental Report.
    4. Before issuing the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed Environmental Reporting Guidance;
       2. the date on which the Authority intends the Environmental Reporting Guidance to come into effect; and
       3. a period during which representations may be made on the content of the Environmental Reporting Guidance, which will not be less than 28 days.
    5. Before amending the Environmental Reporting Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended Environmental Reporting Guidance;
       2. the date on which the Authority intends the amended Environmental Reporting Guidance to come into effect;
       3. the reasons for the amendments to the Environmental Reporting Guidance; and
       4. a period during which representations may be made on the amendments to the Environmental Reporting Guidance, which will not be less than 28 days.

## Network Asset Risk Metric Methodology

Introduction

* + 1. The purpose of this condition is to set out the requirements on the licensee in respect of the NARM Methodology.
    2. It also sets out the process for modifying the NARM Methodology.

### Requirement to have a NARM Methodology

* + 1. The licensee must have in place and act in accordance with a NARM Methodology that facilitates the achievement of the NARM Objectives.

### The NARM Objectives

* + 1. The NARM Objectives are:
       1. to provide transparent and logical links between:
          1. the Asset Data that the licensee collects through inspections, maintenance, and other asset management activities;
          2. the data that the licensee inputs into its Asset Management Systems;
          3. the licensee's asset management decisions; and
          4. where relevant, the licensee's whole system investment decisions;
       2. to enable the Authority to establish the licensee's Baseline Network Risk Outputs and to undertake an objective assessment of the licensee's Baseline Network Risk Output delivery;
       3. to enable the robust estimation of Current, Forecast, Single-year, and Long-term Monetised Risk of asset failure for:
          1. each NARM Asset Category;
          2. individual NARM Assets within each NARM Asset Category; and
          3. the National Transmission System;
       4. to enable the robust estimation of the Current and Long-term Monetised Risk Benefits delivered, or expected to be delivered, through interventions on specific assets and/or groups of assets;
       5. to explain and justify, through Cost-Benefit Analysis:
          1. the licensee's investment plans for managing and renewing its NARM Assets; and
          2. the licensee's outturn delivery of investment options;
       6. to enable the identification and quantification of drivers leading to changes in Monetised Risk over time;
       7. to enable the comparative analysis of Monetised Risk between:
          1. different NARM Asset Categories and between individual NARM Assets on the National Transmission System;
          2. geographic areas of, and NARM Assets within, the National Transmission System;
          3. the National Transmission System and other networks within the same sector;
          4. the National Transmission System and networks outside Great Britain with similar assets should similar approaches as set out in the NARM Methodology be applied to estimate Monetised Risk for those networks; and
          5. the National Transmission System and Distribution Networks within Great Britain; and
       8. to enable the communication to the Authority and other interested parties of relevant information about the National Transmission System in an accessible and transparent manner.

### Modification of the NARM Methodology

* + 1. The licensee must, at least once every year, review the NARM Methodology to identify scope for modifications that would better facilitate the achievement of the NARM Objectives.
    2. Where the licensee has identified scope for modifications that would better facilitate the achievement of the NARM Objectives, it must notify the Authority of the timeframes within which it will propose the relevant modifications to the NARM Methodology.
    3. Where the licensee proposes a modification to the NARM Methodology, it must:
       1. consult with other licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification; and
       2. submit to the Authority a report containing:
          1. a statement explaining the proposed modification to the NARM Methodology;
          2. an explanation of how, in the licensee’s opinion, the proposed modification, if made, would better facilitate the achievement of the NARM Objectives;
          3. a draft NARM Methodology that incorporates the proposed modification;
          4. any relevant subsidiary or supporting documents, data files, or quantitative models;
          5. a full and fair summary of any representations that were made to the licensee pursuant to paragraph 9.2.7(a) and not withdrawn;
          6. an explanation of any changes to the modification proposal that the licensee has made as a consequence of the representations received;
          7. a presentation of the data and any other relevant information (including historical data, which should be provided, where reasonably practicable and relevant, for a period of at least ten years prior to the date of the modification proposal) the licensee has used for the purpose of developing the proposed modification;
          8. a plan setting out how the licensee intends to Rebase its Baseline Network Risk Outputs, if Rebasing is a necessary consequence of implementing the proposed modification; and
          9. a timetable for the implementation of the proposed modification, including a date for submission of Rebased Baseline Network Risk Outputs, if necessary.
    4. The Authority will by direction:
       1. approve the proposed modification;
       2. approve the proposed modification with amendments; or
       3. reject the proposed modification.
    5. In the case of paragraph 9.2.8(a) or (b) the Authority may also direct the date by which the licensee must submit Rebased Baseline Network Risk Outputs in accordance with Special Condition 3.1 (Baseline Network Risk Output).
    6. The licensee must implement the modification directed under paragraph 9.2.8(a) or (b) by such date as may be set out in that direction.
    7. Before issuing a direction under paragraph 9.2.8 or 9.2.10, the Authority will publish on the Authority's Website:
       1. the text of the proposed direction;
       2. the date on which the Authority intends the proposed direction to come into effect;
       3. the reasons why it proposes to issue the direction; and
       4. a period during which representations may be made on the proposed direction, which will not be less than 28 days.

## Price Control Deliverable Reporting Requirements and Methodology Document

Introduction

* + 1. The purpose of this condition is to require the licensee to report to the Authority on the delivery of its Evaluative PCDs in each Regulatory Year.
    2. This condition also provides for:
       1. the issuing and amending of the PCD Reporting Requirements and Methodology Document, which the licensee needs to comply with when preparing its annual Price Control Deliverable reports; and
       2. this condition sets out how the Authority will assess the delivery of Price Control Deliverables.

### Reporting requirement

* + 1. The licensee must by 31 July of each Regulatory Year, or such other later date directed by the Authority, send to the Authority a report on each Evaluative PCD output for which the delivery date specified in the relevant licence condition was in the previous Regulatory Year.

### PCD Reporting Requirements and Methodology Document

* + 1. The licensee must comply with the PCD Reporting Requirements and Methodology Document when preparing a report required by paragraph 9.3.3.
    2. The Authority will issue and amend PCD Reporting Requirements and Methodology Document by direction.
    3. The Authority will publish PCD Reporting Requirements and Methodology Document on the Authority's Website.
    4. The PCD Reporting Requirements and Methodology Document will set out:
       1. how the licensee must prepare the reports required by paragraph 9.3.3; and
       2. the methodology the Authority will use when deciding:
       3. whether to direct a value to reduce allowances for Price Control Deliverables that have not been Fully Delivered; and
       4. the value to direct.
    5. Before issuing the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed PCD Reporting Requirements and Methodology Document;
       2. the date on which the Authority intends the PCD Reporting Requirements and Methodology Document to come into effect; and
       3. a period during which representations may be made on the content of the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.
    6. Before amending the PCD Reporting Requirements and Methodology Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended PCD Reporting Requirements and Methodology Document;
       2. the date on which the Authority intends the amended PCD Reporting Requirements and Methodology Document to come into effect;
       3. the reasons for the amendments to the PCD Reporting Requirements and Methodology Document; and
       4. a period during which representations may be made on the amendments to the PCD Reporting Requirements and Methodology Document, which will not be less than 28 days.

## Re-opener Guidance and Application Requirements Document

Introduction

* + 1. This condition requires the licensee to prepare applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.
    2. This condition also explains the process the Authority will follow in issuing and amending the Re-opener Guidance and Application Requirements Document.

### Requirement to comply with the Re-opener Guidance and Application Requirements Document

* + 1. The licensee must prepare any applications for Re-openers in accordance with the Re-opener Guidance and Application Requirements Document.

### Re-opener Guidance and Application Requirements Document

* + 1. The Authority will issue and amend the Re-opener Guidance and Application Requirements Document by direction.
    2. The Authority will publish the Re-opener Guidance and Application Requirements Document on the Authority's Website.
    3. The Re-opener Guidance and Application Requirements Document will set out how the licensee must prepare its applications for Re-openers, including the following:
       1. the level of detail required in the application;
       2. any requirement to publish the application;
       3. when it is appropriate to make redactions in published applications; and
       4. any requirement for assurance.
    4. Before issuing the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed the Re-opener Guidance and Application Requirements Document;
       2. the date on which the Authority intends the Re-opener Guidance and Application Requirements Document to come into effect; and
       3. a period during which representations may be made on the content of the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.
    5. Before amending the Re-opener Guidance and Application Requirements Document by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended the Re-opener Guidance and Application Requirements Document;
       2. the date on which the Authority intends the amended Re-opener Guidance and Application Requirements Document to come into effect;
       3. the reasons for the amendments to the Re-opener Guidance and Application Requirements Document; and,
       4. a period during which representations may be made on the amendments to the Re-opener Guidance and Application Requirements Document, which will not be less than 28 days.

## Digitalisation

Introduction

* + 1. The purpose of this condition is to set out the licensee's obligations to:
       1. have a Digitalisation Strategy;
       2. have a Digitalisation Action Plan;
       3. update its Digitalisation Strategy and its Digitalisation Action Plan; and
       4. take account of Data Best Practice Guidance.
    2. This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

### Requirements of the Digitalisation Strategy

* + 1. The licensee must publish its Digitalisation Strategy on, or before, XXXX.
    2. The licensee must review the progress it has made against its Digitalisation Strategy, and update its Digitalisation Strategy, at intervals specified in the DSAP Guidance.
    3. The licensee must:
       1. publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
       2. maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
       3. notify the Authority of any updates to the Digitalisation Strategy.

### Requirements of the Digitalisation Action Plan

* + 1. The licensee must publish its Digitalisation Action Plan on, or before, XXXX.
    2. The licensee must review the progress it has made against and update its Digitalisation Action Plan at the intervals specified in the DSAP Guidance.
    3. The licensee must:
       1. publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
       2. maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and
       3. notify the Authority of any updates to the Digitalisation Action Plan.

### DSAP Guidance.

* + 1. The licensee must comply with the DSAP Guidance when:
       1. preparing and updating its Digitalisation Strategy; and
       2. preparing and updating its Digitalisation Action Plan.
    2. The Authority will issue and amend DSAP Guidance by direction.
    3. The Authority will publish DSAP Guidance on the Authority's Website.
    4. The DSAP Guidance will make provision about:
       1. how the licensee should work towards Digitalisation;
       2. how the licensee should set out in its Digitalisation Strategy and Action Plan how it intends to use Energy System Data to generate benefits for consumers and stakeholders and the specific actions it will take to achieve that outcome;
       3. the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
          1. the structure, content and level of detail of each;
          2. the types of activities that should be covered in each; and
          3. any required information associated with those activities; and
       4. the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

### Requirement to employ Data Best Practice

* + 1. The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, must use its best endeavours to act in accordance with Data Best Practice Guidance.
    2. The Authority will issue and amend Data Best Practice Guidance by direction.
    3. The Authority will publish Data Best Practice Guidance on the Authority's website.
    4. The Data Best Practice Guidance will make provision about how the Authority expects the licensee to apply Data Best Practice to generate value for consumers and stakeholders, including but not limited to ensuring data services are designed to meet the needs of consumers and those who directly use the services.

### Process for issuing and amending guidance

* + 1. Before issuing DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the proposed guidance;
       2. the date on which the Authority intends the guidance to come into effect; and
       3. a period during which representations may be made on the content of the guidance, which will not be less than 28 days.
    2. Before amending DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:
       1. the text of the amended guidance;
       2. the date on which the Authority intends the amended guidance to come into effect;
       3. the reasons for the amendments to the guidance; and
       4. a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.

## Disapplication of Relevant Special Conditions

Introduction

* + 1. [This condition is not being included as part of this consultation]

## Directly Remunerated Services

Introduction

* + 1. The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the Special Conditions.
    2. The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of TO Recovered Revenue formula and SO Recovered Revenue.
    3. This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

### Licensee's obligation to exclude Directly Remunerated Services

* + 1. The licensee must exclude revenue derived from Directly Remunerated Services from TO Recovered Revenue and SO Recovered Revenue.
    2. Directly Remunerated Services are:
       1. services that comply with the general principle set out in Part B;
       2. the services listed in Part C to the extent that they comply with the general principle in Part B;
       3. services that the Authority directs are to be treated as Directly Remunerated Services
    3. Services are not to be treated as Directly Remunerated Services if the Authority so directs.

### Statement of General Principle

* + 1. The General Principle is that a service provided by the licensee as part of its Transmission Business Activities is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
    2. The charges referred to in paragraph 9.7.7 are:
       1. NTS Transportation Owner Charges, under the provisions of Special Condition 2.1 (Transportation Owner Revenue Restriction);
       2. NTS System Operation Charges, under the provisions of Special Condition 2.5 (System Operation Revenue Restriction); and
       3. Charges arising from any activity carried out under the provisions of Special Condition 7.7 (Close out of RIIO-1 Network Innovation Competition) which results in Returned Royalty Income for the licensee as defined in that condition.

### Categories of Directly Remunerated Services

* + 1. The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs issued by the Authority under Standard Special Condition A40 (Regulatory Instructions and Guidance) of this licence.
    2. Directly Remunerated Services include the following services:

DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain gas pipes or plant, meters or other equipment necessary to provide any new connection or modify any existing connection to the Transportation System to which this licence relates,, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).

DRS2. Diversionary works under an obligation: This category consists of the relocating of any gas pipes or plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the Licensee under section 9 (Powers and duties of gas transporters) of the Act (for avoidance of doubt Pipeline Diversion Costs are not an Excluded Service)..

DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee’s Transportation System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.

DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee’s Transportation System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.

DRS5. Outage Changes: (Not applicable to Gas Transmission)

DRS6. Emergency Services: This category consists of the provision of emergency services under contracts entered into pursuant to the provisions of Standard Special Condition A41 (Emergency Services to or on Behalf of Another Gas Transporter) of this licence.

DRS7. PARCA Activities: This category consists of the works relating to the initial investigations and assessment of technical options for the provision of Entry Capacity or Exit Capacity carried out by the licensee prior to entering into a PARCA, which may lead to the provision of a Phase 1 PARCA Works Report to the PARCA Applicant, or in the case of the provision of Entry Capacity or Exit Capacity at a point described in the Appendices to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution) as an interconnection point, or as an interconnector, which may lead to the provision of a joint notice published under the Uniform Network Code, European Interconnection Document Section E.

DRS8. Independent System Operation: (Not applicable to Gas Transmission)

DRS9. Network Innovation Funding: NIC/SIF payments made by the System Operator to the licensee in respect of NIC funding in accordance with Special Condition XX (Close out of RIIO-1 Network Innovation Competition) and Special Condition XX (The Strategic Innovation Fund).

DRS10. Value Added Services: (Not applicable to Gas Transmission)

DRS11. Top-up, standby, and enhanced system security: (Not applicable to Gas Transmission)

DRS12. Revenue protection services: (Not applicable to Gas Transmission)

DRS13. Metering Services: (Not applicable to Gas Transmission)

DRS14. Smart Meter Roll-out rechargeable services: (Not applicable to Gas Transmission)

DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of gas pipes or plant) that:

* + - 1. is for the specific benefit of any third party who requests it; and
      2. is not made available by the licensee as a normal part of its NTS Transportation Owner Activity and NTS System Operation Activity.

### Procedure for issuing directions

* + 1. Before issuing a direction under Part A the Authority will consider the General Principle in Part B.
    2. Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

## Tax Reconciliation Assurance Statement

### Introduction

* + 1. This condition requires the licensee to submit to the Authority an annual assurance statement in relation to the Tax Reconciliation template and sets out the form of that statement.

### Assurance Statement

* + 1. The licensee must by 31 July of each Regulatory Year submit to the Authority an assurance statement that:
       1. has been approved by resolution of the licensee’s board of directors;
       2. is signed by a director of the licensee pursuant to that resolution in; and
       3. is set out in the form prescribed in paragraph 9.8.3 or, where paragraph 9.8.4 applies, in the form prescribed in paragraph 9.8.5.
    2. The prescribed form for the assurance statement is as follows:
    3. "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation Assurance Statement), the Directors of [licensee] ("the Licensee”) hereby certify that for Regulatory Year [the preceding Regulatory Year], in their opinion:
       1. the adjusted notional tax allowance as shown in the Tax Reconciliation template represents a fair interpretation of the licensee’s adjusted actual tax liability as shown in the licensee’s Company Tax Return (CT600);
       2. the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
          1. the Licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
          2. Senior Accounting Officer (SAO2) certifications; and
          3. the Licensee’s published Tax Strategy;
       3. where appropriate, further information has also been provided to support and explain reconciling items in accordance with paragraph [X] of the Price Control Financial Model Guidance;
       4. all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary; and
       5. reconciling differences have been appropriately explained and any remaining unexplained differences are considered immaterial in aggregate."
    4. Where the licensee anticipates a material, unexplained variance to arise in the Tax Reconciliation as described in Chapter 6 of the GT2 Price Control Financial Handbook, the prescribed form for the assurance statement is set out in paragraph 9.8.5.
    5. "In accordance with the requirements of paragraph 9.8.2 of Special Condition 9.8 (Tax Reconciliation Assurance Statement), the Directors of [licensee] ("the Licensee”) hereby certify that for Regulatory Year [the preceding Regulatory Year], in their opinion:
       1. the adjusted notional tax allowance as shown in the Tax Reconciliation template does not represent a fair interpretation of the Licensee’s adjusted actual tax liability as shown in the Licensee’s Company Tax Return (CT600);
       2. the Tax Reconciliation has been submitted to the Office of Gas and Electricity Markets along with a copy of:
          1. the Licensee's most recent CT600 as submitted to Her Majesty's Revenue and Customs;
          2. Senior Accounting Officer (SAO2) certifications; and,
          3. the Licensee’s published Tax Strategy;
       3. where appropriate, further information has also been provided to support and explain reconciling items in accordance with paragraph XX of the Price Control Financial Model Guidance Guidance];
       4. all adjustments made have been appropriately explained in the Tax Reconciliation supporting commentary;
       5. reconciling differences have been appropriately explained, where possible and any remaining unexplained differences are considered material in aggregate; and
       6. a notification has been made in writing to the Office of Gas and Electricity Markets under Chapter 6 of the GT2 Price Control Financial Handbook."

## Allocation of revenues and costs for calculations under the price control in respect of the NTS Transportation Owner Activity and NTS System Operation Activity

### Introduction

* + 1. This condition sets out how the licensee must allocate revenues and costs for the purposes of calculating its Allowed Revenue and SO Allowed Revenue in accordance with the Special Conditions contained within Chapter 2 (Revenue Restriction).
    2. The condition also requires the licensee to:
       1. have in place a methods statement that sets out the methods that the licensee will use in the allocation and attribution of revenues and costs; and
       2. prepare and submit to the Authority a methods report, which describes the manner in which, and the extent to which, the licensee has complied with the provisions of the methods statement.

### General principles of allocation and attribution

* + 1. Unless the Authority otherwise directs, any allocation or attribution of revenues, costs, assets, and liabilities performed by the licensee in order to calculate any of the values referred to in the Special Conditions contained within Chapter 2 must conform to the principles set out in paragraphs 9.9.3, 9.9.4, and 9.9.5.
    2. Principle 1 is that the licensee must, so far as is reasonably practicable, allocate or attribute revenues, costs, assets, and liabilities in accordance with the activities which cause the revenues to be earned, the costs to be incurred, the assets to be acquired, or the liabilities to be incurred.
    3. Principle 2 is that the licensee must perform its allocations and attributions on an objective basis and in a manner calculated not to unduly benefit:
       1. itself;
       2. any other business carried on by the licensee or by any Affiliate or Related Undertaking of the licensee under a separate licence (whether or not that licence is held within the same legal entity that holds this licence);
       3. the business of any individual Distribution Network; or
       4. any other company or organisation.
    4. Principle 3 is that, wherever practicable, the licensee must perform all allocations and attributions on a consistent basis from one Regulatory Year to the next.

### Allocation and attribution as between principal activities

* + 1. To the extent relevant to its activities, the licensee must in so far as is reasonably practicable allocate or attribute all revenues earned and costs incurred by the Transportation Business and Metering Business to the following activities:
       1. the NTS Transportation Owner Activity;
       2. the NTS System Operation Activity;
       3. any services provided in accordance with the principles set out in Special Condition 9.7 (Directly Remunerated Services).

### Statement of the methods to be used by the licensee

* + 1. Unless the Authority otherwise directs, the licensee must, by no later than 31 July in each Regulatory Year, prepare and submit to the Authority a statement in a form approved by the Authority that sets out the methods that the licensee intends to use in the allocation and attribution of revenues and costs.
    2. The methods statement must, as a minimum, clearly distinguish between the allocation or attribution of revenues, costs, assets, and liabilities to each of the activities specified in Part B.
    3. Where the basis of such allocations or attributions has changed from one year to the next, the methods statement must also indicate and explain how and why that basis has been changed.
    4. The licensee must use reasonable endeavours to comply with the methods statement for the time being in force under this condition.

### Direction to re-allocate and re-attribute

* + 1. The licensee must re-allocate revenues earned by the licensee or re-attribute costs incurred by the licensee to the activities specified in Part B in accordance with any direction made by the Authority following receipt of the methods statement, so that the licensee’s allocations or attributions (as the case may be) comply with the principles set out in Part A.

### Preparation and submission of the methods report

* + 1. Unless the Authority otherwise consents, the licensee must, by no later than four months after the end of each Regulatory Year, prepare and submit to the Authority a report that:
       1. describes the manner in which, and the extent to which, the licensee complied with the provisions of the methods statement and any direction made by the Authority under Part D in respect of that year; and
       2. states whether any modification should be made to the methods statement to reflect more closely the practice of the licensee.
    2. The methods report must be accompanied by a report from an Appropriate Auditor that:
       1. sets out the procedures (which must have been approved by the Authority) that they have carried out for the purposes of demonstrating the extent to which the licensee has properly prepared the methods report in accordance with the methods statement and any direction made under Part D; and
       2. gives an opinion as to the extent to which the licensee has properly prepared the methods report.
    3. To the extent that the licensee earns revenues or incurs costs in the undertaking of De Minimis Business under Standard Special Condition A36 (Restriction on Activity and Financial Ring-Fencing), the licensee must report on those revenues and costs in accordance with this condition.

## Long Term Network Planning

Introduction

* + 1. The purpose of this condition is to set out the licensee's obligations in relation to reporting on its long term network development plan.
    2. Reporting on the long term development plan must take the form of a Long Term Development Statement and an Annual Network Capability Assessment Report.

### Long Term Development Statement

* + 1. The licensee must prepare a Long Term Network Development Statement in each Regulatory Year.
    2. The Long Term Network Development Statement must include, in so far as it is practicable for the licensee to include them, forecasts of:
       1. the likely use of the pipe-line system to which this licence relates together with the likely use of any such facilities as are mentioned in paragraph 9.10.5(b) and any other pipe-line system specified by the Authority by direction; and
       2. the likely development of the system, facilities and other pipe-line systems referred to in paragraph 9.10.5(a), which the licensee expects from time to time to be taken into account in determining the charges for making connections to the pipe-line system to which this licence relates and in pursuance of Transportation Arrangements;

where such information is capable of being applied for the purpose of identifying and evaluating opportunities to:

* + - * 1. connect a pipe-line to the pipe-line system to which this licence relates, or to another Gas Transporter Licensee’s pipe-line system;
        2. enter into transportation arrangements with the licensee; or
        3. connect to the pipe-line system to which this licence relates, or another Gas Transporter Licensee’s pipe-line system, premises which would reasonably be expected to be supplied with gas at a rate exceeding 2,196,000 kilowatt hours a year.
    1. The licensee must, subject to any requirement to comply with the listing rules (within the meaning of the Financial Services and Markets Act 2000) and with paragraph 7 below:
       1. send the Authority a copy of the Long Term Development Statement by 1 October in each Regulatory Year;
       2. publish, in such form and manner as the Authority may direct, a summary of each Long Term Development Statement; and
       3. send a copy of each Long Term Development Statement to any person who asks for one and makes such payment to the licensee in respect of the cost thereof as it may require, not exceeding such amount as the Authority may from time to time approve.
    2. In complying with the requirements of paragraph 9.10.5(b), the licensee must have regard to the need to exclude, in so far as is practicable, any matter which relates to the affairs of a person where the publication of that matter would, or would have the potential to, seriously and prejudicially affect their interests.
    3. Any question arising under paragraph 9.10.6 as to whether the publication of some matter which relates to the affairs of a person would, or would have the potential to, seriously and prejudicially affect their interests is to be determined by the Authority.

### Annual Network Capability Assessment Report

* + 1. The licensee must prepare an Annual Network Capability Assessment Report in each Regulatory Year.
    2. The licensee must submit its Annual Network Capability Assessment Report to the Authority by 30th June in each Regulatory Year.
    3. The Annual Network Capability Assessment Report must include the following information in so far as it is practicable for the licensee to include it:
       1. flow forecasts across all network Entry and Exit Zones;
       2. the level of physical Network Capability for each of these Entry and Exit Zones;
       3. the level of Network Capability that can economically and efficiently be delivered using commercial tools for each of these Entry and Exit Zones; and
       4. an explanation of the changes to the level of physical Network Capability levels resulting from changes to the installed operational assets; a view of the required level of Network Capability in 10 years' time.

## Transmission Planning Code

Introduction

* + 1. The purpose of this licence condition is to set out the licensee's obligations in relation to the Transmission Planning Code.

### Transmission Planning Code obligation

* + 1. The licensee must have in place, implement and comply with the provisions of a Transmission Planning Code approved by the Authority.

### Transmission Planning Code requirements

* + 1. The Transmission Planning Code must satisfy the requirements in this Part.
    2. The first requirement is that the Transmission Planning Code must cover all material technical aspects relating to the planning and development of the pipe-line system to which this licence relates that may have a material impact on persons connected to or using (or intending to connect to or use) that pipe-line system.
    3. The second requirement is that the Transmission Planning Code must include a methodology for determining the physical capability of the pipe-line system to which this licence relates that specifies in detail how the licensee takes into account:
       1. its Entry Capacity release obligations pursuant to Special Condition 3.12 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable) and its Exit Capacity release obligations pursuant to Special Condition 9.13 (Capacity Requests, Baseline Capacity and Capacity Substitution);
       2. the amount of capacity that may technically be transferred or traded between NTS Entry Points;
       3. the impact of incremental gas flows on the capability of the pipe-line system to which this licence relates at each NTS Entry Point and each NTS Exit Point; and
       4. the Statutory Network Security Standard.
    4. The third requirement is that the Transmission Planning Code must include the detailed planning assumptions that the licensee uses in respect of:
       1. the likely developments it expects in the patterns of the supply of gas to, and the demand for gas from, the pipe-line system to which the licence relates;
       2. the likely developments it expects in the levels of the supply of gas through and the demand for gas from that pipe-line system; and
       3. the likely operation of the pipe-line system to which the licence relates for any given pattern and/or level of supply of gas or demand for gas.

### Review and revision of the Transmission Planning Code

* + 1. The licensee must, if requested by the Authority, and in any event not less than once in every period of two Regulatory Years, review the Transmission Planning Code to ensure it continues to meet the requirements in Part B.
    2. The licensee must when carrying out the review required by paragraph 9.11.7 consult with interested parties likely to be materially affected by the review.
    3. Before revising the Transmission Planning Code and within 28 days after completing any review, the licensee must send to the Authority:
       1. a report on the outcome of the review;
       2. a statement of any proposed revisions to the Transmission Planning Code that the licensee having regard to the outcome of the review reasonably considers would lead to the Transmission Planning Code better fulfilling the requirements set out in Part A above; and
       3. any written representations, including any proposals for revising the Transmission Planning Code that have not been accepted by the licensee, that were received from interested parties during the consultation process and have not been withdrawn.
    4. The Authority will either:
       1. approve the revisions proposed by the licensee;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

### Derogations

* + 1. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations to implement or comply with the provisions of the Transmission Planning Code in respect of such parts of the pipe-line system to which this licence relates as may be specified by the Authority by direction.

## Licensee's Network Model

Introduction

* + 1. The purpose of this licence condition is to set out the licensee's obligations in relation to the licensee's Network Model.

### Network Model obligations

* + 1. The licensee must have in place a Network Model approved by the Authority.
    2. The licensee must provide access, including if necessary remote access, to the Network Model that enables the Authority to operate the Network Model if requested by the Authority.

### Network Model requirements

* + 1. The Network Model must satisfy the requirements in this Part.
    2. The first requirement is that the Network Model must facilitate the licensee’s compliance with its duty under section 9(1)(a) of the Act.
    3. The second requirement is that the Network Model must be consistent with the Transmission Planning Code.
    4. The third requirement is that the Network Model must be designed so as to demonstrate its consistency with the preceding two objectives.

### Review and revision of the Network Model

* + 1. The licensee must, if requested by the Authority, and in any event not less than once in every period of two Regulatory Years, review the Network Model to ensure that it continues to meet the requirements in Part B.
    2. Before revising the Network Model and during the period of 28 days beginning with the date of completion of any review, the licensee must send to the Authority a report that sets out:
       1. the outcome of the review including supporting reasoning and analysis;
       2. how any proposed revisions to the Network Model would better achieve the requirements in Part B; and
       3. the date on which the licensee plans to implement any proposed revisions to the Network Model.
    3. The Authority will either:
       1. approve the revisions proposed by the licensee;
       2. approve the revisions proposed by the licensee and require the appointment of an independent expert to review the implementation of the revisions;
       3. reject the proposed revisions; or
       4. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    4. Where the Authority requires a review by an independent expert under paragraph 9.12.10(b), the licensee must within two months after the implementation of the revisions provide a copy of the independent expert’s report to the Authority, confirming that the revisions have been implemented and that the Network Model is in use in its modified form.

### Provision and modification of Relevant Network Model Data

* + 1. The licensee must include in the Network Model the Relevant Network Model Data.
    2. The licensee must:
       1. have in place a statement of procedures for modifying or updating the Relevant Network Model Data that is approved by the Authority;
       2. keep under review the procedures set out in that statement; and
       3. propose any revisions to those procedures that it considers should be made in the light of such review.
    3. Before revising the procedures required by paragraph 9.12.13(a), the licensee must send to the Authority a report setting out:
       1. the proposed revisions; and
       2. the reasons for those proposed revisions.
    4. The Authority will either:
       1. approve the revisions proposed by the licensee;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

### Derogations

* + 1. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition.

## Capacity Requests, Baseline Capacity and Capacity Substitution

Introduction

* + 1. The purpose of this condition is to set out the licensee's obligation to:
       1. publish a notice of any requests for Firm Entry Capacity or Firm Exit Capacity;
       2. submit an associated notification to the Authority;
       3. maintain a table of instances of Entry Capacity Substitution and a table of instances of Exit Capacity Substitution;
       4. maintain a table of NTS Entry Points and NTS Exit Points along with associated information; and
       5. maintain a table of Zero Licence Baseline Entry Capacity Points and a table of Zero Licence Baseline Exit Capacity Points.
    2. This condition also:
       1. sets out a process for approval of Entry Capacity Substitution or Exit Capacity Substitution;
       2. sets out requirements in relation to the treatment of Zero Licence Baseline Entry Capacity Points and Zero Licence Baseline Exit Capacity Points; and
       3. sets out Licence Baseline Entry Capacity and Licence Baseline Entry Capacity.
    3. The effect of this condition is:
       1. to establish the requirements for requests for Firm Entry Capacity and Firm Exit Capacity, and
       2. to state the Licence Baseline Entry Capacity and Licence Baseline Exit Capacity levels and adjustments.

### Publishing notice of request

* + 1. Where the licensee receives a request for Firm Entry Capacity or Firm Exit Capacity, the licensee must publish a notice on its website setting out where it intends to reserve that capacity, subject to the provisions of the appropriate statements maintained by the licensee under Special Condition 9.17 (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes).
    2. The notice must set out:
       1. each NTS Entry Point listed in Appendix 1 or NTS Exit Point listed in Appendix 2 at which the Firm Entry Capacity or Firm Exit Capacity respectively has been requested and the quantity of capacity requested there;
       2. a description of any other location, where there is no NTS Entry Point or NTS Exit Point listed in the licence, where the Firm Entry Capacity or Firm Exit Capacity has been requested and the quantity of capacity requested there; and
       3. whether any part of the Firm Entry Capacity or Firm Exit Capacity requested cannot be satisfied using Entry Capacity Substitution or Exit Capacity Substitution, and requires network reinforcement, and will be the subject of an application by the licensee for a direction under Special Condition 3.12 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable).

### Notification to the Authority and approval of Entry Capacity Substitution or Exit Capacity Substitution

* + 1. Where the licensee has published a notice in accordance with Part A, the licensee must:
       1. notify the Authority; and
       2. obtain approval of any proposal to carry out Entry Capacity Substitution or Exit Capacity Substitution.
    2. The licensee’s notification must include statements:
       1. confirming that the licensee has applied the methodologies in the relevant statements maintained by the licensee under Special Conditions 9.17 (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), and, in relation to those methodologies, setting out:
          1. the input data that the licensee used in applying the methodologies; and
          2. the results of applying the methodologies;
       2. setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Firm Entry Capacity or Firm Exit Capacity through Entry Capacity Substitution or Exit Capacity Substitution and the quantity of capacity the licensee proposes to provide there;
       3. setting out any NTS Entry Point or NTS Exit Point at which the licensee proposes to provide Firm Entry Capacity or Firm Exit Capacity that is to be the subject of an application by the licensee for a direction under Special Condition 3.11 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable) and the quantity of capacity the licensee proposes to provide there;
       4. setting out why the Firm Entry Capacity or Firm Exit Capacity referred to in paragraph 6(c) of Special Condition 9.18 (Methodology to determine the release of Entry Capacity and Exit Capacity volumes) falls within the scope of paragraph 7 of Special Condition 3.11 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable);
       5. setting out the first month in which Incremental Obligated Capacity would be provided at the relevant NTS Entry or NTS Exit Point or in which Non-Incremental Obligated Capacity would cease to be provided at the relevant NTS Entry Point or NTS Exit Point; and
       6. setting out the date when the licensee’s obligation to offer for sale any Incremental Obligated Capacity would commence, and the date on which the licensee’s obligation to offer for sale any Non-Incremental Obligated Capacity would cease.

### Entry Capacity and Exit Capacity for the purposes of calculating Licence Baseline Entry Capacity and Licence Baseline Exit Capacity

* + 1. Appendix 1 sets out Entry Capacity as of 1 April 2021 for the purposes of calculating Licence Baseline Entry Capacity.
    2. Appendix 2 sets out Exit Capacity as of 1 April 2021 for the purposes of calculating Licence Baseline Entry Capacity.

### Record of Entry Capacity Substitution and Exit Capacity Substitution

* + 1. The licensee must maintain and publish on its website:
       1. a table of instances of Entry Capacity Substitution; and
       2. a table of instances of Exit Capacity Substitution.

### NTS Entry Points and NTS Exit Points

* + 1. The licensee must maintain and publish on its website a table of the NTS Entry Points and NTS Exit Points, which includes quantities, for each point, of:
       1. Licence Baseline Entry Capacity and Licence Baseline Exit Capacity;
       2. Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity;
       3. total monthly capacity release obligation;
       4. reserved capacity;
       5. sold capacity; and
       6. unsold capacity.

### Zero Licence Baseline Capacity Entry and Exit Points

* + 1. The licensee must maintain and publish on its website:
       1. a table of Zero Licence Baseline Capacity Entry Points; and
       2. a table of Zero Licence Baseline Capacity Exit Points.
    2. The licensee must promptly inform the Authority of the creation of any new Zero Licence Baseline Capacity Entry Points or Zero Licence Baseline Capacity Exit Points.
    3. Unless otherwise directed by the Authority, after recording the existence of a new Zero Licence Baseline Capacity Entry Point or Zero Licence Baseline Capacity Exit Point, the licensee must:
       1. conduct a consultation with network users on whether the new Zero Licence Baseline Capacity Entry Point or Zero Licence Baseline Capacity Exit Point should be treated as a Relevant Point on the licensee’s pipe-line system; and
       2. within 14 days of the close of its consultation, submit to the Authority:
       3. a report on the outcome of the consultation; and
       4. any written representations that were received from interested parties during the consultation process and were not withdrawn.
    4. Following submission of the report the licensee must seek the Authority’s approval for either:
       1. treating the new Zero Licence Baseline Capacity Entry Point or the new Zero Licence Baseline Capacity Exit Point as a Relevant Point on the licensee’s pipe-line system, or
       2. not treating it as a Relevant Point on the licensee’s pipe-line system.

Licence Baseline Entry Capacity

|  |  |  |
| --- | --- | --- |
| NTS Entry Point | Type of Entry | Baseline capacity (in GWh/d) |
|  |  |  |

Licence Baseline Exit Capacity

|  |  |  |
| --- | --- | --- |
| NTS Exit Point | Type of Exit | Baseline capacity (in GWh/d) |
|  |  |  |

## Prohibited Procurement Activities

Introduction

* + 1. The purpose of this licence condition is to set out the restriction on the licensee regarding the acquisition of capacity rights, gas or gas derivatives.
    2. The effect of this condition is to:
       1. specify the prohibited activities that the licensee is not allowed to take regarding the acquisition of gas products; and
       2. specify the conditions and exemptions where the licensee would be allowed to acquire gas products.
    3. Subject to paragraph 9.14.3, the licensee must not either on its own account or on behalf of:
       1. any affiliate or related undertaking of the licensee; or
       2. any other business operated by the holder of this licence or its affiliates or related undertakings under a separate gas transporter licence for a relevant gas transporter,

purchase, enter into agreements for or otherwise acquire capacity rights, gas or gas derivatives with the intention of subsequently selling, assigning or otherwise disposing of such assets to third parties, and the licensee must procure that anyone specified in sub-paragraphs (a) and (b) will not undertake such transactions on its own account, or on behalf of the licensee, or of anyone specified in sub-paragraphs (a) and (b).

* + 1. The prohibition in paragraph 9.14.1 will not apply if the transactions referred to in paragraph 9.14.1 are undertaken:
       1. by an affiliate or related undertaking of the licensee each on its own account or on behalf of affiliates or related undertakings specified in paragraphs 9.14.2(a) and (b) other than the licensee, provided that, in respect of each case, such affiliate or related undertaking holds a relevant licence, issued by the Authority, or is otherwise exempted from the requirement to hold such a licence, and that such licence or exemption does not prohibit such transactions;
       2. with the prior consent of the Authority;
       3. in accordance with the licensee’s functions under the network code; or
       4. by the licensee on its own account for the purpose of facilitating balancing management or constraint management provided that such transactions:
          1. are conducted on economic and efficient terms, and
          2. facilitate the economic and efficient operation of the transportation system.

## NTS Shortfall Contribution Obligations

Introduction

* + 1. The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its Licensed Activity to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:
       1. from the persons; and
       2. in the manner,

specified in such Shortfall Direction, and to pay such amounts to the persons specified in the Shortfall Direction.

### Licensee’s obligations under this condition

* + 1. Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions to the licensee specifying:
       1. the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));
       2. the amount to be raised by the licensee and applied in making good the shortfall;
       3. the Shortfall Payment Recipients;
       4. the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;
       5. the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee’s normal billing cycle);
       6. the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in sub-paragraph (b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);
       7. where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in sub-paragraph (b) is to be applied in discharging those debts;
       8. the extent to which the Shortfall Direction modifies or replaces a previously issued Shortfall Direction;
       9. where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 9.15.5;
       10. the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised,
       11. and the licensee must comply with any such Shortfall Direction.
    2. As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:
       1. modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee’s discretion, any Permitted Administration Fee); and
       2. notify the persons who are subject to the charges so modified of:
          1. the modifications made to the charges;
          2. any modification to the date or time period within which charges shall be paid;
          3. the reason for those modifications; and
          4. the interest rate applicable to late payment of modified charges.
    3. The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph 9.15.3(a), (excluding any Permitted Administration Fee), to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction.
    4. For the avoidance of doubt the licensee shall not at any time be under any liability:
       1. to make any payments to any shortfall payment recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any permitted administration fee); or
       2. to pay interest to any shortfall payment recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of monies to the licensee.
    5. Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previously issued Shortfall Direction, if the amount raised by the licensee under paragraph 9.15.3(a) (excluding any Permitted Administration Fee):
       1. is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:
          1. as soon as is reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and
          2. pay that amount to the Shortfall Payment Recipients as soon as is reasonably practicable but otherwise in accordance with the Shortfall Direction; or
       2. is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.
    6. For the purposes of paragraphs 9.15.3(a) and 9.15.5:
       1. the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence and/or the Uniform Network Code and any charges levied by the licensee after modification pursuant to paragraph 9.15.3(a) or 5 will be deemed to be compliant with the licensee’s obligations under Standard Special Condition A4 (Charging - General) and Standard Special Condition A5 (Obligations as Regard Charging Methodology);
       2. the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and
       3. in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or such differences in charges are required to give effect to the Shortfall Direction.
    7. The licensee must, immediately after making any payment under paragraph 9.15.4 or 9.15.5, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.
    8. The licensee must prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of paragraph 9.15.3(a) or 5, a statement showing:
       1. the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.3(a);
       2. the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 9.15.5(a);
       3. the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph 9.15.5(b); and
       4. the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, paragraph 9.15.5(a); and
       5. must give the statement to the Authority within four months of the expiration of the period to which it relates.
    9. On giving the statement required by paragraph 9.15.8 to the Authority, the licensee must also publish it on its website.
    10. In this condition:
        1. any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning in this condition as in that Chapter;
        2. any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall, unless the contrary intention appears, have the same meaning in this condition as in that Chapter; and
        3. any words or expressions used in the Smart Meters Act 2018 shall, unless the contrary intention appears, have the same meaning in this condition as they do in that Act.

## Restriction of prices in respect of Tariff Capped Metering Activities

Introduction

* + 1. The purpose of this condition is to set out the tariff caps on certain metering activities.

### Principal restriction

* + 1. The licensee in setting its charges for each of its Tariff-Capped Metering Activities in any Regulatory Year must not exceed the maximum tariff cap in respect of that metering activity in that Regulatory Year.

### Maximum tariff caps ()

* + 1. The maximum tariff cap for each of the Tariff-Capped Metering Activities is derived in the following manner:

where:

|  |  |  |
| --- | --- | --- |
| Activity | Description | Maximum tariff caps () |
|  | Annual charge for providing and maintaining the assets that form a Domestic Credit Meter Installation, per meter per annum | £14.68 |
|  | Annual charge for providing and maintaining the assets that form a Prepayment Meter Installation, per meter per annum | £36.73 |
|  | Annual charge for providing a daily meter reading for Daily Metered Supply Meter Points, per supply meter point per annum | £500.10 |
|  | Carrying out work to replace a Domestic Credit Meter with a Prepayment Meter , per job undertaken | £78.67 |
| CPIHt | means the arithmetic average of the Consumer Prices Index including Owner Occupiers' Housing Costs between each of the twelve months from 1 April to 31 March in Regulatory Year i. |  |

### Departure from published statements of charges in respect of Tariff-Capped Metering Activities

* + 1. This paragraph applies where:
       1. the licensee wishes to depart from its published statement of charges;
       2. the departure would include increasing the licensee’s charges to a supplier to a level which would in any Regulatory Year result in a breach of the license’s obligations under paragraph 9.16.2; and
       3. the departure arises either:
          1. because of the supplier having wholly or partly disposed of its meters; or
          2. because the licensee considers the departure necessary to comply with the duty in paragraph 4 of Standard Special Condition B8 (Provision of Terms).
    2. Where paragraph 9.16.4 applies the licensee must make a written application to the Authority:
       1. specifying why the change is requested;
       2. specifying the metering activities to be provided to the supplier;
       3. specifying the proposed level of charges broken down between the different kinds of metering activities to be provided to the supplier; and
       4. including such other information to support its application as the Authority may reasonably specify in writing.
    3. In paragraph 9.16.4 the reference to the statement of charges is a reference to the statement prepared in accordance with Standard Special Condition B8 (Provision of Terms) in respect of the provision of Tariff Capped Metering Activities.
    4. The licensee may, with effect from the date of the application, levy the charges specified in that application in respect of that supplier if:
       1. the Authority confirms in writing that it consents to such charges with or without amendment and to such extent, and on the basis of such terms and conditions, as the Authority may specify; or
       2. if the Authority has not issued a direction to the licensee requiring the licensee not to exceed the maximum tariff cap during the period of 90 days beginning with the date of receipt of the application.
    5. Subject to any direction given by the Authority, this condition shall cease to have effect on 31 December 2024.

## Entry Capacity and Exit Capacity Obligations and Methodology Statements

Introduction

* + 1. This condition places the following obligations on the licensee:
       1. to maintain and comply with an:
          1. Entry Capacity Substitution methodology statement;
          2. Entry Capacity Transfer and Entry Capacity Trade methodology statement;
          3. Exit Capacity Substitution methodology statement; and
          4. Exit Capacity Revision methodology statement;
       2. to report to the Authority; and
       3. to publish the statements referred to in paragraph 9.17.1(a).
    2. This condition also sets out:
       1. the capacity-related objectives which the statements referred to in paragraph 9.17.1(a) must facilitate; and
       2. the process for the licensee to revise the statements referred to in paragraph 9.17.1(a).

### The methodology statements

* + 1. The licensee must have in place the following statements approved by the Authority:
       1. Entry Capacity Substitution methodology statement;
       2. Entry Capacity Transfer and Entry Capacity Trade methodology statement;
       3. Exit Capacity Substitution methodology statement; and
       4. Exit Capacity Revision methodology statement;
    2. The statements required by paragraph 9.17.3 must facilitate the achievement of the capacity-related objectives set out in Part C.

### Obligation to apply the methodologies in the methodology statements

* + 1. The licensee must apply the methodology in the Entry Capacity Substitution methodology statement when carrying out Entry Capacity Substitution.
    2. The licensee must apply the methodology in the Entry Capacity Transfer and Entry Capacity Trade methodology statement when carrying out Entry Capacity Transfer and Entry Capacity Trade.
    3. The licensee must apply the methodology in the Exit Capacity Substitution methodology statement when carrying out Exit Capacity Substitution.
    4. The licensee must apply the methodology in the Exit Capacity Revision methodology statement when carrying out Exit Capacity Revision.

### Capacity-related objectives

* + 1. The capacity-related objectives are:
       1. ensuring that each of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner consistent with the licensee’s duties under the Act and, in particular, the duty to develop and maintain an efficient and economical pipeline system and its obligations under this licence;
       2. in so far as is consistent with (a) above, ensuring that:
          1. Entry Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.11 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable), taking into account the Entry Capacity that shippers have indicated that they will require in the future through making a financial commitment to the licensee; and
          2. Exit Capacity Substitution is effected in a manner which seeks to minimise the need to make an application under Special Condition 3.11 (Funded Incremental Obligated Capacity Re-opener and Price Control Deliverable), taking into account the Exit Capacity that shippers and DN Operators have indicated that they will require in the future through making a financial commitment to the licensee;
       3. in so far as is consistent with (a) above, ensuring that Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision are effected in a manner which is compatible with the physical capability of the pipeline system to which this licence relates;
       4. in so far as is consistent with (a) above, avoiding material increases in the costs that are reasonably expected to be incurred by the licensee as a result of Entry Capacity Substitution, Exit Capacity Substitution, Entry Capacity Transfer, Entry Capacity Trade and Exit Capacity Revision, including:
          1. Entry Capacity Constraint Management and Exit Capacity Constraint Management costs in respect of Obligated Entry Capacity and Obligated Exit Capacity previously allocated by the licensee to Relevant Shippers; and
          2. Exit Capacity Constraint Management costs in respect of Obligated Exit Capacity previously allocated by the licensee to DN Operators.
       5. in so far as is consistent with (a) and, where relevant, (b), (c) and (d) above, facilitating effective competition between:
          1. Relevant Shippers, and to the extent relevant to Exit Capacity, DN Operators; and
          2. Relevant Suppliers.

### Review and revision of the methodology statements

* + 1. The licensee must, if so directed by the Authority, and in any event not less than once in every period of two Regulatory Years:
       1. review the statements referred to in paragraph 9.17.3 in consultation with:
          1. Relevant Shippers;
          2. in relation to revisions concerning Exit Capacity Substitution or Exit Capacity Revision, DN Operators; and
          3. any other interested parties;
       2. propose any revisions to the statements; and
       3. notify the Authority of the outcome of its review.
    2. Where proposing no revisions to a statement referred to in paragraph 9.17.3, the licensee must submit to the Authority, alongside its notification, a statement from an Independent Examiner:
       1. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
       2. giving an opinion on whether the unrevised statement remains consistent with the licensee’s duties under the Act and with the licensee’s obligations under this licence.
    3. Before revising a statement referred to in paragraph 9.17.3, the licensee must:
       1. provide a copy of the proposed revisions to the Authority and to any person who asks for one;
       2. consult for a period of not less than 28 days with the parties referred to in paragraph 9.17.10(a);
       3. within 14 days of the close of the consultation, submit to the Authority a report setting out:
          1. the revisions originally proposed;
          2. any representations made and not withdrawn; and
          3. any changes to the revisions proposed as a result of such representations; and
       4. submit to the Authority, alongside the report under paragraph 9.17.12(c), a statement from an Independent Examiner:
          1. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
          2. giving an opinion on whether the statement as revised would be consistent with the licensee’s duties under the Act and with the licensee’s obligations under this licence.
    4. After receipt of the report and statement referred to in paragraphs 9.17.12(c) and (d), the Authority will:
       1. approve the revisions proposed by the licensee;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

### Licensee’s obligation to report to the Authority

* + 1. The licensee must, by 31 May in each Regulatory Year, or by such later date as the Authority may direct, report to the Authority, in such format as the Authority directs, on:
       1. the application, over the previous Regulatory Year, of the statements referred to in paragraph 9.17.3;
       2. the licensee’s view on the extent to which, over the previous Regulatory Year, the capacity-related objectives in Part C were achieved; and
       3. the aggregate levels of change in capacity, over the previous Regulatory Year, as a result of Entry Capacity Transfer, Entry Capacity Trade, Entry Capacity Substitution, Exit Capacity Substitution and Exit Capacity Revision.

### Licensee’s obligation to publish documents

* + 1. The licensee must publish the current versions of the statements in paragraph 9.17.3 on its website.

### Derogations

* + 1. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition.

## Methodology to determine the release of Entry Capacity and Exit Capacity volumes

Introduction

* + 1. This condition places the following obligations on the licensee:
       1. to maintain and comply with capacity release methodology statements;
       2. to report to the Authority; and
       3. to publish the capacity release methodology statements.
    2. This condition also sets out the process for the licensee to revise the capacity release methodology statements.

### Capacity release methodology statements

* + 1. The licensee must have in place the following capacity release methodology statements approved by the Authority, in such format as the Authority may direct:
       1. an Entry Capacity release methodology statement;
       2. an Exit Capacity release methodology statement;
    2. The Entry Capacity release methodology statement must:
       1. set out how the licensee determines whether to make Incremental Entry Capacity available for sale to Relevant Shippers;
       2. set out how, where the licensee makes Incremental Entry Capacity available, the licensee determines what quantity to make available;
       3. unless the Authority otherwise directs, include an NPV test which includes the following parameters:
          1. the NPV test is considered to have been passed if the outcome of the test is a figure greater than or equal to 0.5;
          2. cash flows are discounted by the Social Time Preference Rate that is published in accordance with The Green Book: Central Government Guidance on Appraisal and Evaluation as amended from time to time; and
          3. the NPV test is calculated over a period of 32 quarters.
       4. set out how the licensee offers for sale Obligated Entry Capacity to Relevant Shippers; and
       5. provide that, unless the Authority otherwise directs, the licensee will use reasonable endeavours to release Obligated Entry Capacity at each NTS Entry Point and in at least one Clearing Allocation.
    3. The Exit Capacity release methodology statement must:
       1. set out how the licensee determines whether to make Incremental Exit Capacity available for sale to Relevant Shippers and DN Operators;
       2. set out where the licensee makes Incremental Exit Capacity available, how it determines what quantity to make available, and how much capacity is made available;
       3. set out how the licensee offers for sale Obligated Exit Capacity to Relevant Shippers and DN Operators; and
       4. provide that the licensee will use reasonable endeavours to release Obligated Exit Capacity at each NTS Exit Point in all available Allocations up to the end of the Day to which the capacity relates, in accordance with the provisions of Standard Special Condition A5 (Obligations as Regard Charging Methodology).

### Obligation to apply the methodologies in the capacity release methodology statements

* + 1. The licensee must apply the methodology in the Entry Capacity release methodology statement when:
       1. releasing Entry Capacity to Relevant Shippers and, where relevant, to DN Operators; and
       2. when offering for sale Obligated Entry Capacity to Relevant Shippers and, where relevant, DN Operators.
    2. The licensee must apply the methodology in the Exit Capacity release methodology statement when:
       1. releasing Exit Capacity to Relevant Shippers and DN Operators; and
       2. when offering for sale Obligated Exit Capacity to Relevant Shippers and DN Operators.

### Review and revision of the capacity release methodology statements

* + 1. The licensee must, if so directed by the Authority, and in any event at least once in every period of two Regulatory Years:
       1. review the capacity release methodology statements required under Part A in consultation with:
          1. Relevant Shippers
          2. in relation to reviewing Exit Capacity release, DN Operators; and
          3. any other interested parties;
       2. propose any revisions to the statements; and
       3. notify the Authority of the outcome of its review.
    2. Where proposing no revisions to a capacity release methodology statement, the licensee must, unless the Authority otherwise consents, submit to the Authority, alongside its notification, a statement from an Independent Examiner:
       1. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
       2. giving an opinion whether the unrevised capacity release methodology statement remains consistent with the licensee’s duties under the Act and with the licensee’s obligations under this licence.
    3. Before revising a capacity release methodology statement, the licensee must:
       1. provide a copy of the proposed revisions to the Authority and to any person who asks for one;
       2. consult for a period of not less than 28 days with the parties referred to in paragraph 9.18.8(a);
       3. within 14 days of the close of the consultation, submit to the Authority a report setting out:
          1. the revisions originally proposed;
          2. any representations made and not withdrawn; and
          3. any change to the revisions proposed as a result of such representations; and
       4. submit to the Authority, alongside the report, a statement from an Independent Examiner:
          1. confirming that the Independent Examiner has carried out an examination, the scope and objectives of which were approved by the Authority; and
          2. giving an opinion on whether the capacity release methodology statement as revised would be consistent with the licensee’s duties under the Act and with the licensee’s obligations under this licence.
    4. After receipt of the report and statement referred to in paragraph 9.18.10(c) and (d), the Authority will:
       1. approve the revisions proposed by the licensee;
       2. reject the proposed revisions; or
       3. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

### Licensee’s obligation to report to the Authority

* + 1. The licensee must, at least once in each Regulatory Year, report to the Authority, in such format as the Authority directs, on:
       1. the levels of:
          1. Obligated Entry Capacity that the licensee is required to release to Relevant Shippers at each NTS Entry Point; and
          2. Obligated Exit Capacity that the licensee is required to release to Relevant Shippers and, where relevant, to DN Operators at each NTS Exit Point; and
       2. the Incremental Entry Capacity and Incremental Exit Capacity release requests, including requests resulting from PARCA applications, and the progress of those requests during the previous Regulatory Year.

### Licensee’s obligation to publish documents

* + 1. The licensee must publish the current versions of the capacity release methodology statements required under Part A on its website.

### Derogations

* + 1. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition.

## System Management Services

Introduction

* + 1. The purpose of this condition is to require the licensee to have in place and maintain:
       1. a Procurement Guidelines Document;
       2. a System Management Principles Statement;
       3. a System Management Services Adjustment Methodology; and
       4. a statement that complies with the requirements under Part E in respect of that methodology.

### General Duties under this Condition

* + 1. The licensee must operate the pipe-line system to which this licence relates in an efficient, economic and co-ordinated manner.
    2. The licensee must not show undue preference to, or unduly discriminate between, any person or any class or classes of persons when procuring or using System Management Services.
    3. The licensee's obligations under paragraph 9.19.3 include an obligation to ensure that the following persons or undertakings also comply with the prohibitions imposed by that paragraph:
       1. any Affiliate or Related Undertaking of the licensee; and
       2. any other business operated by the holder of this licence, or by any Affiliate or Related Undertaking of the licensee, under a separate gas transporter licence for a relevant gas transporter.

### Procurement Guidelines Document

* + 1. The licensee must have in place before 1 April in each Regulatory Year, a Procurement Guidelines Document which sets out:
       1. the kinds of System Management Services that the licensee may be interested in purchasing during that Regulatory Year; and
       2. the mechanisms by which the licensee envisages purchasing, entering into agreements for the provision of, or otherwise acquiring those services.
    2. The licensee must revise its Procurement Guidelines document within the relevant Regulatory Year if its intentions in relation to the procurement of System Management Services change during that period.
    3. Within one month of the start of each Regulatory Year, the licensee must prepare a report, in a form approved by the Authority, about the System Management Services that the licensee has bought or acquired in the preceding Regulatory Year.

### System Management Principles Statement

* + 1. The licensee must have in place a System Management Principles Statement which sets out the principles and criteria by which the licensee will at different times and in different circumstances determine:
       1. which System Management Services the licensee will use to assist it in the operation of the NTS; and
       2. when and for what purpose the licensee would resort to measures not involving the use of System Management Services in the operation of the NTS.
    2. The licensee must comply with the provisions of the System Management Principles Statement.
    3. As soon as practicable after the end of each Regulatory Year, the licensee must prepare a report that:
       1. describes the manner in which, and the extent to which, the licensee has, during that year, complied with the provisions of the System Management Principles Statement; and
       2. states whether any modification should be made to that statement to reflect more closely the practice of the licensee.
    4. The report must be accompanied by a statement from an Independent Examiner that:
       1. confirms that the Independent Examiner has carried out an investigation, the scope and objectives of which were established by the licensee and approved by the Authority; and
       2. gives the Independent Examiner's opinion on the extent to which the licensee has complied with the provisions of the System Management Principles Statement.
    5. The licensee may from time to time revise its System Management Principles Statement in accordance with the requirements under Part D.

### Procedure for revising the System Management Principles Statement

* + 1. The licensee must, if so directed by the Authority, and in any event at least once in each Regulatory Year, review its System Management Principles Statement in consultation with gas shippers, DN Operators, and other persons likely to be materially affected by the licensee's use of System Management Services.
    2. The consultation must allow a period of not less than 28 days in which persons can make representations to the licensee.
    3. Within seven days after completing the consultation, the licensee must send to the Authority:
       1. a report on the outcome of the review;
       2. a statement of any proposed revisions to the System Management Principles Statement that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the principles and criteria set out at paragraph 9.19.8; and
       3. any written representations (including any proposals for revising the statement that have not been accepted by the licensee) that were received from any of the persons mentioned in paragraph 9.19.13 during the consultation process and have not been withdrawn.
    4. The licensee may revise the System Management Principles Statement only in accordance with any revision that falls within the statement of proposed revisions under paragraph 9.15.15(b), and only if the Authority consents to that revision.

### System Management Services Adjustment Methodology

* + 1. This Part applies where the Uniform Network Code provides that any charge is to be determined (in whole or in part) by reference to the costs and volumes of Relevant System Management Services.
    2. Where this Part applies, the licensee must have in place and comply with a System Management Services Adjustment Methodology approved by the Authority.
    3. The licensee must have in place a System Management Services Adjustment Methodology statement that contains a complete and fully documented explanation of its System Management Services Adjustment Methodology.
    4. The licensee may from time to time revise its System Management Services Adjustment Methodology in accordance with the requirements under Part F.

### Procedure for revising the System Management Services Adjustment Methodology

* + 1. Whenever the licensee first buys, sells, or acquires any Relevant System Management Service of a kind or under a mechanism that is not already covered by its System Management Services Adjustment Methodology, it must promptly seek to establish a revised methodology, approved by the Authority, which does cover that kind of service or that mechanism.
    2. Before revising its System Management Services Adjustment Methodology, the licensee must:
       1. send a copy of its proposed revisions to the Authority and to any person who asks for a copy;
       2. consult gas shippers and DN Operators and allow them a period of not less than 28 days in which to make representations;
       3. within seven days of the close of the consultation, submit to the Authority a report that sets out the revisions originally proposed, any representations received by the licensee, and any proposed change to the original proposals.
    3. The licensee must not revise its System Management Services Adjustment Methodology:
       1. until the end of the period of 28 days from the date on which the Authority receives the report set out in paragraph 9.19.22(c);
       2. if within that period of 28 days the Authority directs the licensee not to make the revision; or
       3. before any day specified in a derogation under Part J.

### Availability of licensee's statements and reports

* + 1. The licensee must:
       1. give the Authority a copy of each statement, report, and revision required by this condition;
       2. give a copy of each statement, report or most recent revision to any person who asks for a copy and makes such a payment to the licensee as it may require (which must not exceed such amount as the Authority may from time to time approve for that purpose); and
       3. publish, by such date and in such form and manner as the Authority may approve, each statement, report and revision.

### Exclusion of certain matters

* + 1. In complying with the requirements of paragraphs 9.19.24(b) and (c), the licensee must have regard to the need for excluding, so far as is practicable, any matter that relates to the affairs of a person where the publication of that matter would or might seriously and prejudicially affect that person's interests.
    2. Any question arising under paragraph 9.19.25 as to whether the publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect their interests is to be determined by the Authority.

### Retention of particulars and records

* + 1. The licensee must maintain for a period of seven years:
       1. particulars of all System Management Services offered to it;
       2. particulars of all contracts for System Management Services that it has entered into;
       3. records of all System Management Services called for and provided; and
       4. records of the quantities of gas transported through the National Transmission System.

### Derogations

* + 1. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition.

## Independent market for balancing

* + 1. For the purposes of this licence Standard Special Condition A11 (Network Code and Uniform Network Code) is to be treated as including the following paragraphs after paragraph 22:
    2. “22A. Where the network code makes provision for energy balancing by the licensee, as the energy balancing gas transporter, of the total system through a market established by the operator of the independent market for balancing (as such terms are defined in Standard Special Condition A16 (Independence of the Independent Market for Balancing)) then the following paragraphs 22B, 22C and 22D shall apply.”
    3. “22B. The licensee must, in appointing any such operator as is mentioned in paragraph 22A, use all reasonable endeavours to appoint a person having:
       1. financial resources,
       2. skilled and experienced personnel, and
       3. systems

adequate to ensure that the market is conducted in an orderly and proper manner according to clear and fair rules with a clearing function that enables the licensee and relevant shippers to offset any sale to any one participant in the market against any equivalent purchase from that or any other participant in the market.”

* + 1. “22C. The requirement in paragraph 22B will be treated as satisfied in respect of any appointment if the licensee appoints as operator of the independent market for balancing a person who, at the time of appointment, is:
       1. a person recognised by the Financial Conduct Authority under the Financial Services and Markets Act 2000 as an investment exchange; or
       2. a person designated by the Authority for the purposes of that paragraph and if that designation has not expired or been revoked.”
    2. “22D. If a person appointed by the licensee in reliance on paragraph 22C ceases to be recognised as provided in sub-paragraph (a) or to be designated as provided in sub-paragraph (b) of that paragraph then the licensee must use all reasonable endeavours to terminate the appointment of that person and, if the licensee elects that the market operated by that person shall continue to be established, to appoint another person in place of the first person in accordance with paragraph 22B.”

## Provision of information

Introduction

* + 1. The purpose of this condition is to set out the obligations of the licensee in respect of the publication of information on its website.

### Licensee’s obligations under this condition

* + 1. The licensee must use reasonable endeavours to publish information on its website in a timely manner and which will provide:
       1. the key assumptions and analysis used by the licensee in its development of future energy scenarios;
       2. reports on the licensee’s view on what the outlook will be for the coming summer and winter (as appropriate) for gas, which include forecast levels of demand, forecast levels of supply, information on the NTS and the overall security of supply position; and
       3. Operational Data which will aim to reduce market uncertainty, increase transparency and give equal access for stakeholders to the information that is available.

## Development and implementation of a Demand Side Response methodology for use after a Gas Balancing Notification

Introduction

* + 1. This licence condition sets out the licensee's obligations to:
       1. have in place and maintain the Demand Side Response Methodology for assessing and accepting Demand Side Response Offers;
       2. where directed by the Authority, run a trial of the Demand Side Response Methodology with any revisions proposed under paragraph 9.22.6(b); and
       3. following such a trial, submit to the Authority a report on the outcome of the trial and a final version of the revised Demand Side Response Methodology amended to address issues identified by the licensee during the trial.

### The Demand Side Response Methodology

* + 1. The licensee must have in place and maintain a Demand Side Response Methodology approved by the Authority.
    2. The licensee must ensure that the Demand Side Response Methodology:
       1. ensures that any party making a Demand Side Response Offer is a party to the Uniform Network Code;
       2. sets out the criteria for determining that particular DMC Supply Point Components are DMC Supply Point Components in respect of which a party may not make Demand Side Response Offers;
       3. allows the licensee to accept Demand Side Response Offers only where a Gas Balancing Notification is in place or within stage 1 of a Gas Deficit Emergency;
       4. demonstrates compatibility with existing market arrangements by setting out the manner in which any Demand Side Response Offers accepted by the licensee are to be treated as Eligible Balancing Actions and included in the System Clearing Contract, System Marginal Buy Price and System Marginal Sell Price;
       5. promotes, and further facilitates, parties making Demand Side Response Offers to the licensee through open and transparent market-based arrangements;
       6. does not unduly preclude the emergence of commercial interruption arrangements;
       7. minimises distortions and unintended consequences on existing market arrangements and the principle of parties balancing their own positions in the wholesale gas market; and
       8. ensures that Demand Side Response is procured in a manner consistent with the licensee’s duties under the Act and, in particular, the licensee’s obligation to operate the pipe-line system to which this licence relates in an efficient, economic and co-ordinated manner.

### Revising the Demand Side Response Methodology

* + 1. The licensee must at least once in every period of two Regulatory Years review, and if appropriate revise, the Demand Side Response Methodology in consultation with interested parties.
    2. The consultation must allow a period of not less than 28 days in which interested parties can make representations to the licensee.
    3. Within seven days after completing the consultation, the licensee must send to the Authority:
       1. a report on the outcome of the review;
       2. a statement of any proposed revisions to the Demand Side Response Methodology that the licensee (having regard to the outcome of the review) reasonably considers would better achieve the Demand Side Response Methodology principles; and
       3. any written representations (including proposals for revising the statement that have not been accepted by the licensee) that were received from interested parties during the consultation process and have not been withdrawn.
    4. The Authority will either:
       1. approve the revisions;
       2. direct the licensee to conduct a trial of the revised Demand Side Response Methodology to assess the effectiveness of the Methodology and any revisions proposed by the licensee under paragraph 9.22.6(b);
       3. reject the proposed revisions; or
       4. reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
    5. In considering whether to approve the licensee's proposed revisions to the Demand Side Response Methodology, the Authority will have regard to whether they are consistent with the Demand Side Response Methodology principles.

### Trial and implementation

* + 1. Where the Authority directs the licensee to conduct a trial of the revised Demand Side Response Methodology in accordance with paragraph 9.22.7(b), the licensee must within 28 days beginning on the last day of the trial submit to the Authority a report on the outcome of the trial that includes any further proposed revisions to the Demand Side Response Methodology.
    2. Following completion of the trial and the making of submissions to the Authority pursuant to paragraph 9.22.9 , the licensee must within 28 days:
       1. develop appropriate modifications to the Uniform Network Code and other processes and systems to enable it to implement the revisions to the Demand Side Response Methodology;
       2. once the modifications, processes and systems are complete, implement the revisions to the Demand Side Response Methodology as soon as is reasonably practicable; and
       3. publish the final revised Demand Side Response Methodology on its website and in such other manner as the Authority may direct.

### Exception to compliance with condition

* + 1. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition.
    2. The Authority may, having consulted with the licensee and interested parties, direct that the licensee must temporarily or permanently cease operation of the Demand Side Response Methodology.