

Modification of the Charge Restriction Conditions

[Note: text shown in blue underlined text are additions and text shown in ~~red strikethrough~~ are deletions made since the consultation]

CRC ~~XX3M~~3M Coordinated adjustment mechanism re-opener (~~CAM_t~~)

Introduction

~~XX3M.1 The purpose of this condition is to calculate adjust the term ~~CAM_t~~ (the coordinated adjustment mechanism term). This mechanism:~~

- ~~a) contributes to the calculation of allowed Totex expenditure; and~~
- ~~b) determines any appropriate revisions to PCFM Variable Values for the licensee relating to uncertain cost activities and the Regulatory Years to which they relate, for the purposes of the Annual Iteration Process for the ED1 Price Control Financial Model as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).~~

~~XX3M.2 The effect of this condition is to establish a re-opener triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee.~~

~~XX3M.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Rre-opener.~~

3M.1 This condition establishes a mechanism that:

- a) is triggered by the licensee where an opportunity that delivers greater overall consumer value has been identified to reallocate responsibility for, and revenue associated with, a CAM Activity to or from a Partner Licensee; and
- b) adjusts the PCFM Variable Values for the licensee and the Partner Licensee and the Regulatory Years to which they relate, for the purposes of the Annual Iteration Process as described in CRC 4B (Annual Iteration Process for the ED1 Price Control Financial Model).

Part A: What is the scope of this re-opener?

~~XX.4~~3M.2 The licensee may apply to the Authority for a direction adjusting the value of the ~~CAM_t term~~ PCFM Variable Values and the outputs, delivery dates and allowances ~~within the special conditions~~ relating to the CAM Activity 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.

Part B: When to make an application

~~XX.5~~[3M.3](#) The licensee may only apply to the Authority for an adjustment under paragraph ~~XX.4~~[3M.2](#) between 23 May and 29 May in each of the years 2021, 2022, ~~2023, 2024, 2025~~, or during such other periods as the Authority may direct.

Part C: How to make an application

~~XX.6~~[3M.4](#) An application under paragraph ~~XX.4~~[3M.2](#) must be made in writing to the Authority and:

- (a) give a description of the engagement between the licensee and the Partner Licensee which has led to the application;
- (b) explain whether the licensee is applying to have the CAM Activity reallocated to the licensee from the Partner Licensee, or from the licensee to the Partner Licensee;
- (c) explain why the original allocation of the CAM Activity no longer delivers greater overall consumer value and why the reallocation does deliver greater overall consumer value;
- (d) give a description of the CAM Activity and associated revenue that the licensee is applying to reallocate;
- (e) set out any amendments requested to the outputs, delivery dates or allowances ~~established by the special conditions of this licence~~ [the licensee](#) and that of the Partner Licensee, relating to the CAM Activity;
- (f) set out the adjustments to the value of the ~~CAM_t term~~ [PCFM Variable Values](#) for both the licensee and the Partner Licensee that the licensee is requesting and the Regulatory Years to which those adjustments relate;
- (g) explain the basis of the calculation for the proposed adjustments to the value of the licensee and the Partner Licensee's ~~CAM_t terms~~ [PCFM Variable Values](#) or other allowances of the licensee and the Partner Licensee;
- (h) provide such detailed supporting evidence, including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements as is reasonable in the circumstances; and
- (i) provide a copy of the agreement between the licensee and the Partner Licensee to transfer responsibility for and associated revenue of the CAM Activity.

~~XX.7~~[3M.5](#) An application under paragraph ~~XX.4~~[3M.2](#) must:

- (a) 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
- (b) be confined to costs incurred or expected to be incurred on or after 8 May 2021.

Part D: What process will the Authority follow in making a direction?

~~XX.8~~[3M.6](#) Before making a direction under paragraph ~~XX.4~~[3M.2](#) the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

~~XX.9~~[3M.7](#) The direction will set out:

- (a) any adjustments to any PCFM Variable Value of this licence and that of the Partner Licensee;
- (b) the Regulatory Years to which those adjustments relate; and
- (c) any amendments to the ~~relevant activities in the special conditions Charge Restriction Conditions of this licence and that of the Partner Licensee relating to the CAM Activity.~~ [outputs, delivery dates or allowances of the licensee and that of the Partner Licensee, relating to the CAM Activity.](#)

Part E: Interpretation

~~XX.10~~[3M.8](#) For the purposes of this condition:

CAM Activity	means an output, activity or deliverable that the licensee is applying to reallocate under Special Condition XX Charge Restriction Condition 3M (Coordinated adjustment mechanism Re-opener).
Network Licensee	means the holder of a licence granted under section 7 of the Gas Act 1986 or section 6(1)(b) or (c) of the Act.
Partner Licensee	means a Network Licensee that has agreed to accept or transfer responsibility for a CAM Activity.