

Text that we are proposing to add is shown in underline and deletions in strikethrough.

Gas Transporter – NGGT

National Grid Gas Plc (NTS)

Special Condition 5.1 Transportation owner other revenue allowance (ORA_t)

Part A: Introduction

5.1.1 The purpose of this condition is to calculate the term ORA_t (the other revenue allowance term). This contributes to the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

Part B: Formula for calculating total other revenue allowance (ORA_t)

5.1.2 The value of ORA_t is derived in accordance with the following formula:

$$ORA_t = NIA_t + CNIA_t + \underline{SIFF_t} + PRPN_t$$

where:

NIA_t is derived in accordance with Special Condition 5.2;

CNIA_t is derived in accordance with Special Condition 5.3; ~~and~~

SIFF_t is derived in accordance with Special Condition 5.7 (The strategic innovation fund); and

PRPN_t means the pre-RIIO pension true up and has the value given in the GT2 Price Control Financial Model.

Special Condition 5.7 The strategic innovation fund (SIFF_t)

Introduction

5.7.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIFF_t. This contributes to the calculation of the term ORA_t (the other revenue allowance term), which in turn feeds into the calculation of Calculated Revenue in Special Condition 2.1 (Transportation owner revenue restriction).

5.7.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of revenues collected by the licensee through its NTS Transportation Owner Charges pursuant to the SIF Funding Mechanism (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

5.7.3 This condition also makes provision for arrangements relating to the regulation, administration and governance of the SIF.

Part A: Determination of the value of the SIFF_t term

5.7.4 The SIFF_t term is the amount to be recovered by the licensee on behalf of Gas Transporter Licensees, as determined by the Authority under paragraph 5.7.55 in relation to:

- (a) the SIF Funding specified for that Regulatory Year; and
- (b) any SIF Funding Return specified for that Regulatory Year.

5.7.5 In each Regulatory Year, the Authority will calculate, in accordance with the SIF Governance Document, and then by direction given to the licensee, specify:

- (a) the value for SIFF_t for the licensee, being the amount (if any) to be recovered by the licensee in order to contribute to its own and other Gas Transporter Licensees' SIF Funding for that Regulatory Year);
- (b) 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 SIF Funding for that Regulatory Year that is attributable to its Eligible SIF Projects (adjusted to take into account the amount of any SIF Funding Return); and
- (c) the manner in which and the timescale over which the net amounts referred to in sub-paragraph (b) are to be transferred.

5.7.6 The licensee must comply with any direction issued by the Authority under paragraph 5.7.5.

Part B: The SIF Funding Return Mechanism

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

5.7.8 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee specify:

- (d) the amount of any SIF Funding Return that the licensee must return to the NTS Operator; and
- (e) the manner in which and the timescale over which that amount is to be paid.

5.7.9 The licensee must comply with any direction that is issued by the Authority under paragraph 5.7.8.

Part C: The SIF Governance Document

5.7.10 The licensee must comply with the SIF Governance Document.

- 5.7.11 The Authority will issue and amend the SIF Governance Document by direction.
- 5.7.12 The Authority will publish the SIF Governance Document on the Authority's Website.
- 5.7.13 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:
- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of Proposed SIF Projects;
 - (b) the evaluation criteria against which the funding of Proposed SIF Projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of Proposed SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Gas Transporter Licensees;
 - (e) the nature of the reporting obligations in respect of Eligible SIF 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 SIF Governance Document; and
 - (f) arrangements relating to the treatment of intellectual property rights, including Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

- 5.7.14 Before directing that the SIF Governance Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed SIF Governance Document;
 - (b) the date that the Authority intends the SIF Governance Document to come into effect; and
 - (c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.
- 5.7.15 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended SIF Governance Document;
 - (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
 - (c) the reasons for the amendment to the SIF Governance Document; and
 - (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

5.7.16 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this document comes into effect.