Schedule 4A - Proposed modifications to special conditions 1A and 3B of the electricity transmission licence held by National Grid Electricity Transmission Plc

The proposed modifications are shown in tracked changes

Special Condition 1A. Definitions and Interpretation

Amend paragraph 1A.5 of this condition by inserting the following definition after the definition of "Innovation Roll-out Costs"

"Interconnector Owner"	means the holder for the time being of an electricity interconnector licence in relation to which licence the Authority has issued a Section G (Cap and Floor Conditions) Direction and in which Section G remains in effect (whether or not subject to any terms included in the Section G (Cap and Floor Conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).

Special Condition 3B. Calculation of allowed pass-through items

Introduction

3B.1 The purpose of this condition is to provide for the calculation of the term PT_t (the allowed pass-through items revenue adjustment) for the purposes of Part B of Special Condition 3A (Restriction of Transmission Network Revenue).

3B.2 The effect of the application of the PT_t term in Part B of Special Condition 3A is to ensure that the level of the licensee's Maximum Revenue derived in accordance with that condition reflects certain costs that can be passed through to users.

Part A: Formula for Transmission Network Revenue allowed pass-through items (PT_t)

3B.3 For the purposes of Part B of Special Condition 3A, the PT_t term is derived in accordance with the following formula (in this condition, the "Principal Formula"):

$$PT_t = RB_t + LF_t + TPD_t + ITC_t + Term_t + TSP_t + TSH_t + TOFTO_t + OFET_t + TICF_t + TICP_t$$

3B.4 In the Principal Formula:

RB_t	means the business rate adjustment in Relevant Year t as derived in accordance with the formula set out in Part B of this condition.
LF_t	means the licence fee adjustment in Relevant Year t as derived in accordance with the formula set out in Part C of this condition.
TPD_t	means the temporary physical disconnection term in Relevant Year t as derived in accordance with Part D of this condition.
ITC_t	means the adjustment in respect of participation in the inter-transmission system operator compensation mechanism in Relevant Year t as derived in accordance with the formula set out in Part E of this condition.
$Term_t$	means the adjustment equal to the income received by the licensee in Relevant Year t in respect of users who reduce TEC or developer capacity (as defined in the CUSC) or who terminate relevant bilateral agreements for connection and/or access rights to the National Electricity Transmission System (and is net of any amounts that are treated as capital contributions).
TSP_t	means the amount notified to the licensee by SP Transmission Ltd or any successor company in relation to Relevant Year t pursuant to its electricity transmission licence.
TSH_t	means the amount notified to the licensee by Scottish Hydro Electric Transmission Plc or any successor company in relation to Relevant Year t pursuant to its electricity transmission licence.
$TOFTO_t$	means the total of the amounts notified to the licensee by each Offshore Transmission Owner in relation to Relevant Year t pursuant to their electricity transmission licences.

$OFET_t$	means the amount equal to the payments made, in total, by the licensee to the electricity distributors with respect to charges for use of electricity distribution systems by offshore generating stations connected to those systems via Embedded Transmission Systems.
$TICF_t$	means the total of the amounts (whether of a positive or of a negative value) notified to the licensee by all Interconnector Owners in relation to Relevant Year t pursuant to their electricity interconnector licences.
$TICP_t$	means the total of the amounts notified to the licensee by each relevant electricity interconnector licensee in relation to Relevant Year t pursuant to the special conditions in their respective electricity interconnector licences.

Part B: Calculation of the business rate adjustment term (RB_t)

3B.5 For the purposes of the Principal Formula, subject to paragraph 3B.7 and 3B.8, RB_t is derived in accordance with the following formula:

$$RB_t = \left(\frac{RBA_{t-2}}{RPIA_{t-2}} - RBE_{t-2}\right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

3B.6 In the above formula for RB_t:

RBA_{t-2}	means the amount payable by the licensee, in Relevant Year t-2, in respect of Non-Domestic Rates.
RBE_{t-2}	means the allowance in respect of Non-Domestic Rates (or any equivalent tax or duty replacing them) in Relevant Year t-2, and is represented by the amount set out in Appendix 1 of this condition.
$RPIA_{t-2}$	has the value given to it by Part C of Special Condition 3A.
PVF_t	has the value given to it by Part C of Special Condition 3A.
$RPIF_t$	has the value given to it by Part C of Special Condition 3A.

3B.7 In the Relevant Years 2013/14 and 2014/15 RB_t will have the value zero.

3B.8 In respect of any Relevant Year t-2 in which the revaluation by the Valuation Office Agency (in England and Wales) or the Scottish Assessors Association (in Scotland) of the assets of the licensee's Transmission Network for the purposes of setting Non-Domestic Rates came into effect, RB_t will have the value of zero in Relevant Year t and in each subsequent Relevant Year, unless the Authority has satisfied itself that the licensee has used reasonable endeavours to minimise the amount of the prescribed Non-Domestic Rates. If the Authority has so satisfied itself, it will direct that the formula set out in this Part B is to apply for the purposes of calculating the RB_t term in the specific Relevant Year and in each of the subsequent Relevant Years.

Part C: Calculation of the licence fee adjustment term (LF_t)

3B.9 For the purposes of the Principal Formula, subject to paragraph 3B.11 of this condition, LFt is derived in accordance with the following formula:

$$LF_t = \left(\frac{LFA_{t-2}}{RPIA_{t-2}} - LFE_{t-2}\right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

3B.10 In the above formula for LF_t:

LFA_{t-2}	means the amount in respect of licence fee payments that is equal to the payments, in total, made by the licensee in Relevant Year t-2, in accordance with its obligations under standard condition A4 (Payments by the licensee to the Authority).
LFE_{t-2}	means the licence fee allowance in Relevant Year t-2, and is represented by the amount set out in Appendix 2 of this condition.
$RPIA_{t-2}$	has the value given to it by Part C of Special Condition 3A.
PVF_t	has the value given to it by Part C of Special Condition 3A.
$RPIF_t$	has the value given to it by Part C of Special Condition 3A.

3B.11 In the Relevant Years 2013/14 and 2014/15 LF_t will have the value zero.

Part D: Calculation of the temporary physical disconnection term (TPD_t)

3B.12 For the purposes of the Principal Formula, subject to paragraph 3B.14 of this condition, TPD_t is an amount derived in accordance with the following formula:

$$TPD_t = \left(\frac{TPA_{t-2}}{RPIA_{t-2}}\right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

3B.13 In the above formula for TPD_t:

TPA_{t-2}	means the amount equal to the costs incurred by the licensee in relation to interruption payments made by the System Operator as part of its balancing services activity in the licensee's Transmission Area that are charged to the Transmission Licensee within each respective Relevant Year t-2.
$RPIA_{t-2}$	has the value given to it by Part C of Special Condition 3A.
PVF_t	has the value given to it by Part C of Special Condition 3A.
$RPIF_t$	has the value given to it by Part C of Special Condition 3A.

3B.14 In the Relevant Year 2013/14 TPD_t will have the value zero.

Part E: Calculation of the inter-transmission system operator compensation mechanism term (ITC_t)

3B.15 For the purposes of the Principal Formula, subject to paragraph 3B.17 of this condition, the value of ITC_t is derived in accordance with the following formula:

$$ITC_t = \left(\frac{ITP_{t-2}}{RPIA_{t-2}} - ITA_{t-2}\right) \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

3B.16 In the above formula for ITC_t:

ITP_{t-2} means the compensation, in Relevant Year t-2 (whether of a positive or negative value), arising from the participation by Great Britain in the inter-transmission system operator compensation mechanism as provided for in Article 13 of the Electricity Regulation.

ITA_{t-2} is the inter-transmission system operator compensation mechanism allowance in Relevant Year t-2 and has the value set out in Appendix 3 of this condition.

$RPIA_{t-2}$ has the value given to it by Part C of Special Condition 3A.

PVF_t has the value given to it by Part C of Special Condition 3A.

$RPIF_t$ has the value given to it by Part C of Special Condition 3A.

3B.17 In the Relevant Years 2013/14 and 2014/15 ITC_t will have the value zero.

APPENDIX 1: Prescribed rates allowance (£m, 2009/10 prices)

(see paragraph 3B.6 relating to the RBE term)

Licensee	**RBE (£m)**							
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
National Grid Electricity Transmission plc	73.453	66.884	66.882	66.883	66.882	66.882	66.882	66.882

APPENDIX 2: Licence fee allowance (£m, 2009/10 prices)

(see paragraph 3B.10 relating to the LFE term)

Licensee	**LFE (£m)**							
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
National Grid Electricity Transmission plc	12.794	12.794	12.794	12.794	12.794	12.794	12.794	12.794

APPENDIX 3: Inter-transmission system operator compensation mechanism allowance (£m, 2009/10 prices)

(see paragraph 3B.16 relating to the ITA term)

Licensee	**ITA (£m)**							
	2013/14	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
National Grid Electricity Transmission plc	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000