

## **Schedule 4 – Reasons and effects of proposed licence modifications**

### **Part A – Reasons and effects of proposed modifications to the standard conditions of the electricity interconnector licence to align the standard conditions with the CEP Electricity Regulation**

#### Standard Condition 1: Definitions and interpretation

The reason for this condition is to set out definitions and interpretation of words and expressions used in the standard licence conditions.

The reason for modifying this condition is to:

- (a) amend the definition of 'the Agency' so that it refers to the CEP legislation;
- (b) amend the definition to 'the Regulation' so that it refers to the CEP legislation.

The effect of these modifications is to ensure the definitions in the standard licence conditions refer to the relevant CEP Package provisions which have repealed the Third Package provisions<sup>1</sup>.

#### Standard Condition 9: Use of Revenues

The reason for this condition is to ensure that revenues derived from the allocation of an interconnector capacity are used in accordance with the Electricity Regulation. In addition, this condition requires licensees to submit an annual use of revenues statement to the Authority.

The reason for modifying this condition is to:

- (a) amend any references to articles from the Third Package Electricity Regulation (Article 16) and replace it with the new relevant article from the CEP Electricity Regulation (Article 19);
- (b) update wording related to the priority objectives for allocation of revenues derived from the allocation of an interconnector capacity so that it reflects the CEP Electricity Regulation provisions;
- (c) amend reporting time frames and submission date in relation to the annual use of revenues statement to reflect the new timeframes as set out in the CEP Electricity Regulation;
- (d) amend relevant wording so that the use of revenues statement verifies that actual use of revenues are in accordance with the amended priority objectives as well as in accordance with the methodology the licensee has developed for the use of revenues.

The effect of these modifications is to ensure that the revenues derived from the allocation of an interconnector are used in accordance with the CEP Electricity Regulation. In addition, the effect is to ensure that reporting time frames and

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<sup>1</sup> The Third Package is a number of legislative texts that applied from 2009. These have been repealed by the CEP Package.

information submitted by the licensees in the use of revenues statement reflect the reporting time frames and information the Authority requires to be able to submit their report to ACER.

Standard Condition 12: Application of licence conditions 9, 10 and 11: (Exemption orders)

The reason for this condition is to outline that licence holders may request an exemption order which exempts them from some or all of conditions 9, 10 and 11 from having effect or are suspended from operation.

The reason for the modifications is to replace an old reference to an article of the Third Package Electricity Regulation (Article 17) with the new article of the CEP Electricity Regulation (Article 63).

The effect of the modification is the alignment of the text of this condition with the relevant article of the CEP Electricity Regulation.

Standard Condition 23: Regional Cooperation

This condition outlines provisions regarding regional cooperation.

The reason for the modification to this condition is to replace an old reference from the Third Package Electricity Regulation (Article 12) with the new article of the CEP Electricity Regulation (Article 34).

The effect of the modification is the alignment of the text of this condition with the relevant article of the CEP Electricity Regulation.

**Part B – Reasons and effects of proposed modifications to the standard conditions of the electricity interconnector licence to implement our decision on approach to cost sharing and cost recovery under the CACM Regulation**

Condition 1B: Application of Section H

The reason for this new standard condition is to allow the standard conditions in proposed new Section H (Payments between the licensee and GB System Operator) to be switched on via a direction issued by the Authority. Section H is switched off by default for all licensees.

The effect of this proposed new condition is to ensure that the standard conditions contained in Section H apply only to relevant licensees.

Condition 27: Determination of the Interconnector Payments term with respect to costs related to the Capacity Allocation and Congestion Management Regulation

The reason for this condition is to require relevant licensees to submit a proposed value of the Interconnector Payments (ICP) term as applicable to costs related to the Capacity

Allocation and Congestion Management Regulation. The value of the ICP term represents the total costs that the Authority has determined as being:

- (a) the efficient, reasonable and proportionate costs related to establishing, amending and operating Single Day-Ahead Coupling and Single Intraday Coupling; and
- (b) eligible for recovery by the licensee (including costs eligible for recovery by the licensee on behalf of a relevant Nominated Electricity Market Operator (NEMO)), in accordance with the Authority's Relevant Decision on the approach to cost sharing and cost recovery under the CACM Regulation.

The effect of this condition is to put in place a mechanism for an amount equal to the value of the ICP term to be recovered by relevant licensees via a corresponding change to Transmission Network Use of System (TNUoS) charges.

#### Condition 28: Provision of information to the GB System Operator

The reason for this new special condition is to require relevant interconnector licensees to liaise with the GB System Operator in order to inform the process of setting the TNUoS charges.

The condition stipulates that relevant licensees must provide an estimate of the proposed value of the ICP term to the GB System Operator.

The effect of this condition is to ensure the GB System Operator has available the necessary information to facilitate its forecasting and setting of TNUoS charges.

### **Part C – Reasons and effects of proposed changes to special condition 1 of the electricity interconnector licence held National Grid Interconnectors Limited (with respect to the IFA interconnector)**

#### Special condition 1: Determination of the Interconnector Payment term

The reasons for the proposed modifications is to:

- align the Use of Revenues Statement reporting period and the submission date with those specified in the CEP Electricity Regulation
- add clarity as to how the value of the ICP term may be determined
- clarify how the ICP term operates within the context of this condition given that proposed standard condition 27 also makes use of the ICP term but for different purposes.

The effect of the proposed modification is to ensure the condition is aligned with the CEP Electricity Regulation and to improve clarity.

### **Part D – Reasons and effects of proposed changes to special condition 3B of the electricity transmission licence held by National Grid Electricity System Operator Limited**

### Special condition 3B: Calculation of allowed pass-through items

The reason for the proposed minor change to the definition of the TICP term is to clarify that the value of the notified ICP term may be positive or negative.

The effect of the proposed modification is to accommodate both payments:

- from NGIL to NGESO (with respect to Use of Revenues and in accordance with special condition 1 of NGIL's licence) and
- from NGESO to relevant interconnectors (with respect to CACM related costs and in accordance with proposed standard condition 27).