

Schedule 2 – Modifications to special condition 1 of the electricity interconnector licence held by Nemo Link Limited

[Note: Text shown in blue double underline are additions and any text shown in ~~red strikethrough~~ are deletions]

Special Condition 1: Definitions and Interpretation

1. This condition sets out particular defined words and expressions that are used in the special conditions and gives their meaning.
2. However:
 - (a) where words and expressions are used in only one special condition, their definitions are set out in that condition; and
 - (b) where words and expressions used in the special conditions are defined in the standard conditions, they have the same meaning in the special conditions as given to them in the standard conditions, unless the context otherwise requires.
3. All defined words and expressions used in the special conditions have initial capital letters, including those defined in the standard conditions where they are written with lower case.
4. Any reference in these special conditions to:
 - (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity transmission licences;
 - (c) a provision of the standard conditions of electricity interconnector licences,shall, if these or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of these or the standard conditions in question as modified.

Definitions in alphabetical order

5. In these special conditions unless the context otherwise requires:

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| “Annual Cap and Floor RIGs Submission” | means the submission by the licensee, on an annual basis, as specified in the Cap and Floor RIGs, of information that it is required to collect and provide to the Authority under standard condition 25 (Cap and Floor Regulatory Instructions and Guidance) of this licence |
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| “Assessed Revenue” | means revenue earned by the licensee for Relevant Year t and calculated in accordance with Part A of special condition 5 (Assessed Revenue) of this licence |
| “Availability Incentive Adjustment At Cap” (AIC _t) | means the adjustment to the Cap Level determined in accordance with Part B of special condition 4 (Interconnector Availability Incentive) of this licence |
| “Availability Incentive Adjustment At Floor” (AIF _t) | means the adjustment to the Floor Level determined in accordance with Part C of special condition 4 of this licence |
| “Belgian regulatory authority” | means the regulatory authority for Belgium |
| “Belgian System Operator” | means the operator of the high-voltage electricity transmission system in Belgium |
| “Cap Level”(CL _t) | means the level of Assessed Revenue for any Relevant Year that: <ul style="list-style-type: none"> (a) is determined in accordance with the formula in paragraph 4(a) of special condition 2 (Cap Level and Floor Level) of this licence; and (b) above which, at the end of each Relevant Assessment Period, Assessed Revenue is paid to the GB System Operator and the Belgian System Operator |
| “End Of Period Cap And Floor Adjustment” (CFA _{ap}) | means the revenue adjustment component calculated in accordance with paragraph 4 of special condition 3 (Cap and Floor Assessment) of this licence |
| “Exceptional Event” | means: <ul style="list-style-type: none"> (a) an event or circumstance that results in or causes the Actual Availability of licensee’s Interconnector to fall below the Minimum Availability Target in any Relevant Year; and |

- (b) in the Authority’s opinion, (following consultation with the Belgian regulatory authority) the event or circumstance:
 - i. constitutes a Force Majeure event under the special conditions of this licence;
 - ii. has been appropriately mitigated and managed by the licensee including responding to the event in line with Good Industry Practice; and
 - iii. the Authority is satisfied that the licensee has met the requirements of Part A of special condition 4 of this licence

“Floor Level”(FL_t) means the level of Assessed Revenue for any Relevant Year that:

- (a) is determined in accordance with the formula in paragraph 4(b) of special condition 2 of this licence; and
- (b) below which level the licensee is eligible for a top up of Assessed Revenue from the GB System Operator and the Belgian System Operator

“Floor Start Date” means the Full Commissioning Date or such earlier date as may be specified in writing by the Authority following consultation with the Belgian regulatory authority

“Force Majeure” means an event or circumstance which is beyond the reasonable control of the licensee, including act of God, act of the public enemy, [strike, lockout and other industrial disturbance](#), war declared or undeclared, threat of war, terrorist act (or threat of), blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, governmental

restraint, provided that lack of funds of the licensee or performance or non-performance by an electricity transmission licensee or equivalent entity shall not be interpreted as a cause beyond the reasonable control of the licensee and provided that weather and ground conditions which are reasonably to be expected at the location of the event or circumstance are also excluded as not being beyond the reasonable control of the licensee

“Full Commissioning Date”

means the date on which the licensee’s Interconnector is deemed to be fully commissioned in accordance with the criteria set out in paragraph 7 of special condition 2 of this licence

“Good Industry Practice”

means, in relation to any undertaking and any circumstances, the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances

“Interconnector Revenue”

means the total revenue derived by the licensee, for Relevant Year *t*, from participating in the operation of the licensee’s Interconnector

“Minimum Availability Target”

means the minimum amount of availability that is required over the licensee’s Interconnector in any Relevant Year, and has the value 7,012,800 megawatt hours (MWh), subject to adjustments to account for partial years in accordance with Part F of special condition 4 of this licence

“Nemo Link Cap And Floor Financial Model 2” (NLCFFM2)

means the model of that name that:

- (a) was published with the Authority’s “Decision on the Post Construction Review of the Nemo Link interconnector to Belgium” dated 17/12/2019;

(b) is represented by a workbook in Microsoft Excel ® format maintained under that name on the Authority’s Website;

(c) is used by the Authority to facilitate:

- (i) Authority’s assessment of the licensee’s Interconnector Revenue in accordance with special condition 3 of this licence;
- (ii) Authority’s assessment of the licensee’s non-controllable operating expenditure in accordance with special condition 7 of this licence; and
- (iii) Authority’s adjustments to the Cap Level and Floor Level over the Regime Duration in accordance with the provisions and processes set out in this licence.

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| “Opex Reassessment” | means the process for determining the value of the Opex Reassessment Adjustment terms set out in special condition 9 (Process for determining the value of the Opex Reassessment Adjustment terms) |
| “Opex Reassessment Adjustment”(ORA) | means the adjustments to the Cap Level and Floor Level following determination by the Authority (after consultation with the Belgian regulatory authority) in accordance with Part D of special condition 2 of this licence |
| “Preliminary Cap Level” (PCL) | means the value specified in paragraph 11(a) of special condition 2 of this licence (£83,806,402 per year, expressed in real 2013/14 Sterling prices) |
| “Preliminary Floor Level” (PFL) | means the value specified in paragraph 11(b) of special condition 2 of this licence (£48,807,317 per year, expressed in real 2013/14 Sterling prices) |
| “Post Construction Adjustment” (PCA) | means the adjustments to the Cap Level and Floor Level following a determination by the Authority (after consultation |

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| | with the Belgian regulatory authority) in accordance with Part C of special condition 2 of this licence |
| “Post Construction Review” | means the process for determining the value of the Post Construction Adjustment terms set out in special condition 8 (Process for determining the value of the Post Construction Adjustment terms) |
| “Rated Capacity” | means the maximum of the licensee’s Interconnector Capacity and is equal to 1,000 megawatts (MW) |
| “Regime Duration” | means a period of 25 Relevant Years commencing on the Regime Start Date |
| “Regime Start Date” | means 31 January 2019 |
| “Relevant Assessment Period” | means any of the Relevant Assessment Periods specified in Part J of special condition 3 of this licence |
| “Relevant Assessment Period <i>ap</i> ” | means that Relevant Assessment Period for the purposes of which any calculation falls to be made |
| “Relevant Partial Assessment Period” | means a period that: <ul style="list-style-type: none"> (a) commences on the first day of the first Relevant Year of the Relevant Assessment Period; (b) is comprised of whole Relevant Year(s) only; and (c) runs for whole consecutive years up to and including, but not exceeding, the fourth Relevant Year of a Relevant Assessment Period |
| “Relevant Partial Assessment Period <i>pap</i> ” | means that Relevant Partial Assessment Period for the purposes of which any calculation falls to be made |
| “Relevant Year” | means: <ul style="list-style-type: none"> (a) in all Relevant Years except for the first Relevant Year and the last Relevant Year of the Regime Duration, a period of 12 months beginning on 1 January and ending on 31 December of the same calendar year; and |

(b) in the first Relevant Year and the last Relevant Year of the Regime Duration, a different period of time as specified in Part J of special condition 3 of this licence

“Relevant Year *t*” means that Relevant Year for the purposes of which any calculation falls to be made

“Target Completion Date” means 31 January 2019

“Within Period Adjustment” means the revenue adjustment determined by the Authority, following consultation with the Belgian regulatory authority, in accordance with special condition 6 of this licence.