

## Article 1 - Subject Matter and Scope

1. This methodology sets out the conditions under which interconnector revenues from congestion income may be allocated in accordance with Article 19(2) of Regulation (EU) 2019/943 as amended by Electricity and Gas (Internal Markets and Network Codes) (Amendment etc.) (EU Exit) Regulations 2020 (2020 No. 1006) (the 'Retained Electricity Regulation').
2. For the purpose of the GB Use of Congestion Income Methodology ('the Methodology'), terms used in this document shall have the meaning given to them in the Retained Electricity Regulation.
3. The Methodology shall apply to congestion income received by a GB interconnector TSO that has entered into commercial operations, subject to this Article 1(4).
4. For the avoidance of doubt, the Methodology shall not apply to a GB interconnector TSO that has been issued with an Electricity Interconnector Licence in which standard licence condition 9 is suspended from operation.

## Article 2 - Allocation of Congestion Income

1. In accordance with Article 19(2) of the Retained Electricity Regulation, GB interconnector TSOs shall comply with the priority objectives set out in (a) and (b) of Article 19 (2) for the allocation of revenue from congestion income to the categories listed in paragraphs (2), (3), (4) and (5) of this Article.
2. For the priority objective of guaranteeing the actual availability of the allocated capacity, complying with Article 19(2)(a) of the Retained Regulation. This shall include:
  - a. Operational expenditure (OPEX) which, for the avoidance of doubt, shall include market related costs such as firmness compensation costs; and/or
  - b. Allowed returns in accordance with the applicable regulatory regime for that GB interconnector TSO.
3. Costs associated with the priority objective of maintaining or increasing cross-border capacities, complying with Article 19(2)(b) of the Retained Regulation. This shall include new capital expenditure (CAPEX), replacement expenditure (REPEX) and/or any total expenditure (TOTEX) not covered by other categories. For the avoidance of doubt, during the depreciation period of the asset, depreciation and capital remuneration (equity and/or debt) costs, related to investments which significantly contribute to maintaining or increasing cross-border capacity, shall be included as capital expenditure.
4. Where the priority objectives set out in paragraphs (2) and (3) have been adequately fulfilled, revenues from congestion income shall be taken into account by the regulatory authority when approving the methodology for calculating GB network tariffs, in accordance with the relevant Conditions of the GB interconnector TSO's licence that describe the requirements of the applicable regulatory regime. For the avoidance of doubt, this value may be less than zero.
5. Subject to prior agreement with the regulatory authority, any residual revenue from congestion income, that has not been allocated to the categories listed in paragraphs (2), (3) and (4) of this Article, may be placed on a separate internal account line, in accordance with

Article 19(3) of the Retained Regulation, until the accrued amount reaches the multi-year estimate agreed with the regulatory authority.

### **Article 3 – Process**

1. GB interconnector TSOs shall report to the regulatory authority on the actual use of revenues from congestion income by 31 January each year for the 12-month period ending on 31 December of the previous year.
2. Each GB interconnector TSO shall submit:
  - a. The amount of revenue from congestion income collected in total; and
  - b. The amount of revenue from congestion income used for the purposes described in Article 2, paragraphs (2), (3), (4) and (5) of this Methodology.

### **Article 4 – Implementation**

1. The Methodology shall apply to revenues from congestion income collected from the date determined by the regulatory authority upon its approval of this Methodology.