

This schedule contains proposed modifications to the Special Conditions of the National Gas Transmission Licence, which are as follows:

- Proposed modification to Special Condition 1.1 Interpretation and definitions
- Proposed introduction of new Special Condition 3.19 Future System Operator transition allowance (FSOTAt)

Proposed modification to Special Condition 1.1 Interpretation and definitions

Part B: Definitions

<u>Independent System Operator and Planner (ISOP)</u>	<u>means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 which holds an Electricity System Operator Licence and Gas System Planner Licence.</u>
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Special Condition 3.19 Future System Operator transition allowance (FSOTAt)

Introduction

- 3.19.1 The purpose of this condition is to provide for the calculation of the term $FSOTA_t$ (the Future System Operator transition allowance term). This contributes to the calculation of the Totex Allowance.
- 3.19.2 The effect of this condition is to adjust the Totex Allowance to fund the licensee for the efficiently incurred cost to support the development and implementation of the Independent System Operator and Planner's gas functions during the Price Control Period.

Part A: Formula for calculating the Future System Operator transition allowance term (FSOTAt)

- 3.19.3 The value of $FSOTA_t$ is derived in accordance with the following formula:

$$FSOTA_t = FSOTE_t - FSOTRE_t$$

where:

FSOTE_t means the expenditure efficiently incurred by the licensee to support the development and implementation of the Independent System Operator and Planner's gas functions, excluding any costs recovered through bilateral agreements with the Independent System Operator and Planner;

FSOTRE_t has the value zero unless otherwise directed by the Authority in accordance with Part B.

Part B: What process will the Authority follow in making a direction?

3.19.4 Before making a direction under paragraph 3.19.4 the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.19.5 The direction will set out any adjustments to the value of the FSOTRE_t term and the Regulatory Years to which those adjustments relate.