



## Modification of NGC's transmission licence

### Direction to modify NGC's transmission licence

In accordance with the powers contained in section 11(1) of the Electricity Act 1989 ("the Act") and with the consent of National Grid Company plc ("NGC"), the Gas and Electricity Markets Authority ("the Authority") has directed a modification to the transmission licence treated as granted to NGC under section 6(1)(b) of the Act with effect from 1 April 2005. The direction to modify the licence was issued by the Authority to NGC on 30 March 2005. This explanatory note constitutes the notice by the Authority under Section 49A of the Electricity Act 1989 in relation to the direction.

### Background

On 1 March 2005 the Authority gave notice pursuant to section 11(2) of the Act that the Authority was proposing to modify the conditions of NGC's transmission licence. The notice highlighted that it was the Authority's intention that the proposed modification to the transmission licence will apply from 1 April 2005.

The Authority proposed to modify the Licence by amending the following conditions and schedule provisions numbered and entitled:

- (a) Paragraphs 5 – 12 inclusive of Special Condition AA5A (Revised Restrictions on Revenue);
- (b) Special Condition AA5E (Duration of the Transmission Network Revenue Restriction and the Balancing Services Activity Revenue Restriction);
- (c) Paragraphs B1 – B4 inclusive of Schedule A Part B (Terms used in the balancing services activity revenue restriction); and
- (d) The ISF<sub>t</sub> values in paragraph B5(e) of Schedule A Part B (Terms used in the balancing services activity revenue restriction).

The section 11(2) notice stated the proposed modifications and their effect and the reasons why the Authority proposed the modifications. The notice invited any representations or objections with respect to the proposed modifications to be made by 29 March 2005.

The Authority has considered representations or objections made to it that have not been withdrawn. It has come to the Authority's attention that a minor textual error was contained in Special Condition AA5A, paragraph 10(b) relating to the reference to 'relevant year t'. The 'relevant year t' should be referred to in this paragraph as the year commencing on 1 April 2005 and ending on 31 March 2006. Ofgem considers that this change should be made.

Consequently, having regard to the representations made to the Authority, for the reasons set out in the section 11(2) notice the Authority has directed that the modifications described above shall be made to NGC's transmission licence with effect from 1 April 2005. The modified conditions and schedule provisions are included in Annex 1 for reference.

**Relevant information**

Copies of the section 11(2) notice and the proposed modifications are available in Appendix 1 and 2 respectively of the following document, 'NGC System Operator incentive scheme from April 2005, Final proposals and statutory licence consultation', Ofgem, March 2005, which can be found at the following address:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10404\\_6505.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/10404_6505.pdf)

## **Annex A**

### **NGC SO Incentives 2005-06**

**Modifications to the Transmission Licence of National Grid Company plc which shall take effect on 1 April 2005 by virtue of a direction to modify the licence issued by the Authority on 30 March 2005**

## Special Condition AA5A: Revised Restrictions on Revenue

### Part 1

**No amendments are proposed to paragraphs 1 – 4B inclusive of this Special Condition.**

Nothing in this text alters the operation of Part 1 of this Special Condition (paragraphs 1-4B inclusive).

### Part 2 (i): Balancing services activity revenue restriction on external costs

5. The licensee shall use its best endeavours to ensure that in the relevant period  $t$  the revenue derived from and associated with procuring and using balancing services (being the external costs of the balancing services activity) shall not exceed an amount calculated in accordance with the following formula:

$$BXext_t = CSOBM_t + BSCC_t + ET_t - OM_t + IncPayExt_t$$

where:

$BXext_t$  which represents the maximum allowed revenue derived in relevant period  $t$  from and associated with procuring and using balancing services, is the aggregate of the following components:

$CSOBM_t$  which represents the cost to the licensee of bids and offers in the balancing mechanism accepted by the licensee in relevant period  $t$  less the total non-delivery charge for that period, is the sum

across relevant period  $t$  of the values of  $CSOBM_t$ ; (being the daily system operator BM cashflow as defined in Table X-2 of Section X of the BSC in force immediately prior to 1 April 2001);

$BSCC_t$  means the costs to the licensee of contracts for the availability or use of balancing services during the relevant period  $t$ , excluding costs within  $CSOBM_t$  but including charges made by the licensee for the provision of balancing services to itself in the relevant period  $t$ ;

$ET_t$  means the amount of any adjustment to be made during the relevant period  $t$  in respect of a previous relevant year as provided in paragraph 6;

$OM_t$  means an amount representing the revenue from the provision of balancing services to others during relevant period  $t$ , calculated in accordance with paragraph 7;

$IncPayExt_t$  means an incentive payment for relevant period  $t$  calculated in accordance with paragraph 8.

5A. For the purposes of Part 2 (i) paragraphs 7(b) and 9 of this special condition, where the BETTA go-live date is a date later than 1 April 2005, the term "GB transmission system" shall, for the period from and including 1 April 2005 up to the BETTA go-live date only, be replaced with the term "licensee's transmission system".

6. Balancing services activity adjustments

For the purposes of paragraph 5, the term  $ET_t$  which relates to prior year adjustments in respect of the relevant period  $t$  shall mean:

- (a) the costs, whether positive or negative, to the licensee of
- bids and offers in the balancing mechanism accepted by the licensee in any relevant year before relevant period  $t$  less the total non-delivery charge for the period; and
  - contracts for the availability or use of balancing services during any relevant year before relevant period  $t$ , excluding costs within  $CSOBM_t$  for any relevant year, but including charges made by the licensee for the provision of balancing services to itself in any relevant year before relevant period  $t$

in each case after deducting such costs to the extent that they have been taken into account in any relevant year in computing the terms  $CSOBM_t$  or  $BSCC_t$ ; and

- (b) any amount within the term  $ET_t$  as defined in this licence in the form it was in on 1 April 2000 whether as then defined or as now defined.

7. Provision of balancing services to others

For the purpose of paragraph 5,  $OM_t$  (the amount representing the revenue from the provision of balancing services to others) shall be the sum of:

- (a) the total amount (exclusive of interest and value added tax attributable thereto) recovered by the licensee in respect of the relevant period  $t$  under any agreements entered into between an electricity supplier (being the holder of a supply licence granted or treated as granted under Section 6(1)(d) of the Act) or network operator (as defined in the grid code) and the licensee pursuant to which the costs of operation or non-operation of generation sets which are required to support the stability of a user system (as defined in the grid code) are charged to such electricity supplier (as defined above) or network operator (as defined in the grid code); and
- (b) the total costs (exclusive of interest and value added tax attributable thereto) incurred by the licensee in respect of the relevant period  $t$  which arise by reason of the operation or non-operation of generation sets and which result directly or indirectly from works associated with the GB transmission system or works thereon being carried out, rescheduled or cancelled by reason of any agreement with, or request of, any third party other than an electricity supplier (as defined in paragraph 7 (a) of this special condition) or network operator (as defined in the grid code).

8. Determination of incentive payments on external costs

For the purposes of paragraph 5, the term  $IncPayExt_t$  shall be derived from the following formula:

$$IncPayExt_t = [SF_t(MT_t - IBC_t) + CB_t]$$

where:

$SF_t$  which is a balancing services activity sharing factor in respect of relevant period  $t$ , has the value specified either against the value of  $IBC_t$  for the relevant period  $t$  in the column headed  $SF_t$  in the table in paragraph B1 (a) of Part B of Schedule A or in paragraph B1 (b) of Part B of Schedule A.

$MT_t$  which is a target for balancing services activity incentivised external costs in respect of relevant period  $t$ , has the value specified either against the value  $IBC_t$  for relevant period  $t$  in the column headed  $MT_t$  in the table in paragraph B1 (a) of Part B of Schedule A or in paragraph B1 (b) of Part B of Schedule A.

$IBC_t$  which is the cost of balancing services on which the licensee is incentivised during the relevant period  $t$ , is calculated in accordance with the formula given in paragraph 9.

$CB_t$  which is a balancing services sharing factor offset in respect of the relevant period  $t$ , has the value either specified against the value of  $IBC_t$  for the relevant period  $t$  in the column headed  $CB_t$  in the table in paragraph B1 (a) of Part B of Schedule A or in paragraph B1 (b) of that Part.

9. For the purposes of paragraph 8, the term  $IBC_t$  in respect of relevant period  $t$  shall be calculated in accordance with the following formula:



$$IBC_t = CSOBM_t + BSCC_t + \sum_{j_t} \left( [TL_j - TLT_j] * [TLRP_j] \right) + \sum_{j_t} \left( TQEI_j * [NIRP_j] \right) - RT_t - OM_t$$

where:

j in all cases shall mean a settlement period (being a half an hour) as defined in the BSC.

$\sum_{j_t} \left( [TL_j - TLT_j] * [TLRP_j] \right)$  is the volume of transmission losses (TL<sub>i</sub>) minus the target volume of transmission losses (TLT<sub>i</sub>) multiplied by the transmission losses reference price (TLRP<sub>i</sub>) for each settlement period, summed across all settlement periods in the relevant period t.

$\sum_{j_t} \left( TQEI_j * [NIRP_j] \right)$  the total net imbalance volume (TQEI<sub>i</sub>) as defined in the BSC in force immediately prior to 1 April 2001 multiplied by the net imbalance volume reference price (NIRP<sub>i</sub>) for each settlement period, summed across all settlement periods in the relevant period t.

TL<sub>j</sub> which is the volume of transmission losses, is given by the sum of BM unit metered volumes (as from time to time defined in the BSC) during the settlement period j for all BM units (as from time to time defined in the BSC), being the difference between the quantities of electricity delivered to the GB transmission system and the quantity taken from the GB transmission system during that settlement period.

TLT<sub>j</sub> which is the target volume of transmission losses, has the value specified for each settlement period set out in paragraph B3 of Part B of Schedule A.

TLRP<sub>j</sub> which is the transmission losses reference price, has the value specified for each settlement period set out in paragraph B3 of Part B of Schedule A.

NIRP<sub>j</sub> which is the net imbalance volume reference price for each settlement period *j*, has the values set out in paragraph B4 in Part B Schedule A.

RT<sub>t</sub> means the amount of any allowed income adjustments given by paragraph 12 (b) in respect of relevant period *t*.

10. Income adjusting events under the balancing services activity revenue restriction on external costs

(a) An income adjusting event may arise from any of the following:

- (i) an event or circumstance constituting force majeure under the BSC;
- (ii) an event or circumstance constituting force majeure under the CUSC;
- (iii) a security period as defined in special condition AA5D; and
- (iv) an event or circumstance other than listed above which is, in the opinion of the Authority, an income adjusting event and is approved by it as such in accordance with paragraph 12(a) of this special licence condition,

where the event or circumstance has, for relevant year *t*, increased or decreased the value of IBC<sub>t</sub> by more than £2,000,000 (the “threshold amount”). This threshold amount does not apply in respect of sub-paragraph 10(a)(iii) above.

- (b) For the purpose of relevant year t commencing on 1 April 2005 and ending on 31 March 2006, events or circumstances arising directly from the implementation or otherwise of the following proposed modifications and amendments (both the original and any alternative unless otherwise specified) listed in tables 1 and 2 below shall not qualify as an income adjusting event for the purpose of paragraph 10(a) above:

**Table 1: Proposed modifications to the BSC**

<b>BSC Modification Proposal</b>	<b>BSC Modification Title (as entitled by the proposer of the modification)</b>
P157	Replacement of current Supplier Charges rules
P171	Retrospective removal of Emergency Instructions taken for System reasons from Imbalance Price
P172	Removal of Emergency Instructions taken for System reasons from Imbalance Price
P173 (original only)	Revised Settlement Arrangements for Emergency Instructions
P174	Provision of Users of an Interconnector with a single Boundary Point connection to form a Trading Unit amongst themselves and with other BM Units at the same site
P176	Clarification of the Requirements for Estimation/Deeming of Meter Readings/Advances in Certain Circumstances to Facilitate Correction of Anomalies in Settlement Calculations
P177	Removal of Intertrip provisions from the BSC
P178	Reduction in the BSC withdrawal timescale for parties who have settled the vast majority of their trading debts
P179	Housekeeping Modification
P180	Reduction to BSC Modification implementation dates, where an Authority decision is referred to Appeal or Judicial Review
P182	Review and redefinition of the Non Half Hourly Settlement performance measures
P183	Additional Mechanisms for Obtaining a valid Change of Supplier Read
P184	Clarification of BSC Section W in relation to the application of the Query Deadline to Trading Queries/Disputes
P185	Redrafting of BSC Sections U and W in relation to clauses pertaining to the processing and rectification of Trading Queries/Disputes
P186	Rationalising the criteria for the submission and redeclaration of Demand & Generation Capacities

**Table 2: Proposed amendments to the CUSC**

<b>CUSC Amendment Proposal</b>	<b>CUSC Amendment Title (as entitled by the proposer of the amendment)</b>
CAP075	Arrangements for Replacing Resigning Panel Members and Alternates
CAP076 (original only)	Treatment of System to Generator Intertripping Schemes
CAP077	Revision to CUSC Amendment Implementation Dates for Appeal or Judicial Review

11. Notice of proposed income adjusting event

- (a) Where the licensee considers, and can provide supporting evidence that, in respect of relevant year t, there have been costs and/or expenses that have been incurred or saved by an income adjusting event, then the licensee shall give notice of this event to the Authority.
- (b) Where any other Party (as defined in the BSC) considers, and can provide supporting evidence that, in respect of relevant year t, there have been costs and/or expenses that have been incurred or saved by an income adjusting event, then that Party may give notice of this event to the Authority.
- (c) A notice provided to the Authority under paragraphs 11(a) and 11(b) shall, in the case of the licensee, and should, in so far as is practicable in the case of any other Party, give particulars of:
  - (i) the event to which the notice relates and the reason(s) why the person giving the notice considers this event to be an income adjusting event;
  - (ii) the amount of any change in costs and/or expenses that can be demonstrated by the person giving the notice to have been

caused or saved by the event and how the amount of these costs and/or expenses has been calculated;

(iii) the amount of any allowed income adjustment proposed as a consequence of that event and how this allowed income adjustment has been calculated; and

(iv) any other analysis or information which the person submitting the notice considers to be sufficient to enable the Authority and the relevant parties to fully assess the event to which the notice relates.

(d) If the Authority considers that the analysis or information provided in sub-paragraphs 11(c)(i) to 11(c)(iv) above is insufficient to enable both the Authority and the relevant parties to assess whether an income adjusting event has occurred and/or the amount of any allowed income adjustment that should be approved, the Authority can request that the supporting evidence be supplemented with additional information that it considers appropriate.

(e) A notice of an income adjusting event shall be given as soon as is reasonably practicable after the occurrence of the income adjusting event, and, in any event, not later than three months after the end of the relevant year in which it occurs.

(f) The Authority will make public, excluding any confidential information, any notice of an income adjusting event following its receipt.

(g) Any notice submitted to the Authority under either paragraphs 11(a) or 11(b) above should clearly identify whether any of the information contained in the notice is of a confidential nature. The Authority shall make the final determination as to confidentiality having regard to:

- (i) the need to exclude from disclosure, so far as is reasonably practicable, information whose disclosure the Authority considers would or might seriously prejudicially affect the interests of a person to which it relates; and
- (ii) the extent to which the disclosure of the information mentioned in sub-paragraph 11(g)(i) is necessary for the purposes of enabling the relevant parties to fully assess the event to which the notice relates.

12. The Authority's determination

- (a) Following consultation with relevant parties, including the licensee, BSC Parties and CUSC parties, the Authority shall determine:
  - (i) whether any or all of the costs and/or expenses given in a notice pursuant to paragraphs 11(a) or 11(b) were caused or saved by an income adjusting event;
  - (ii) whether the event or circumstance has increased or decreased the value of  $IBC_t$  by more than the threshold amount, save in the case of sub-paragraph 10(a)(iii) where the threshold amount shall not apply; and
  - (iii) if so, whether the amount of the proposed income adjustment ensures that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as if that income adjusting event had not taken place, and if not, what allowed income adjustment would secure that effect.

- (b) In relation to the relevant year  $t$ , the allowed income adjustment ( $RT_t$ ) shall be:
- (i) the value determined by the Authority under paragraph 12(a) above; or
  - (ii) if the Authority has not made a determination under paragraph 12(a) above within three months of the date on which notice of an income adjusting event was provided to the Authority, the amount of the allowed income adjustment proposed as a consequence of the event in the notice given to the Authority under sub-paragraph 11(c)(iii); or
  - (iii) in all other cases zero, including situations where the Authority has not made a determination under paragraph 12(a) above within three months of the date on which notice of an income adjusting event was provided to the Authority and the Authority has, before the end of that three month period, informed the relevant parties that the Authority considers that the analysis or information provided in accordance with paragraphs 11(c) and/or 11(d) is insufficient to enable the Authority and relevant parties to assess whether an income adjusting event has occurred and/or the amount of any allowed income adjustment.
- (c) The Authority's decision in relation to any notice given under paragraphs 11(a) or 11(b) shall be in writing, shall be copied to the licensee and shall be in the public domain.
- (d) The Authority may revoke an approval of an income adjusting event and allowed income adjustment with the consent of the licensee, following consultation with the licensee and relevant parties. Revocation of any income adjusting event and allowed income adjustment shall be in

writing, shall be copied to the licensee and shall be in the public domain.



**Part 2 (ii): Balancing services activity revenue restriction on internal costs**

**No amendments are proposed to paragraphs 13 – 16 inclusive of this Special Condition.**

Nothing in this text alters the operation of Part 1 of this Special Condition (paragraphs 13-16 inclusive).

### **Special Condition AA5E: Duration of the Transmission Network Revenue Restriction and the Balancing Services Activity Revenue Restriction**

1. The balancing services activity revenue restriction and the transmission network revenue restriction shall apply so long as this licence continues in force but shall cease to have effect in such circumstances and at such times as are described in paragraphs 2 to 6 below.
2. The transmission network revenue restriction and the balancing services activity revenue restriction (or any of them) shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 3 or notice is given to the Authority by the licensee in accordance with either paragraph 5 or paragraph 6.
3. A disapplication request shall
  - (i) be in writing addressed to the Authority,
  - (ii) specify whether it relates to the balancing services activity revenue restriction and/or to the transmission network revenue restriction (or to both or any of them or to any part or parts thereof) and
  - (iii) state the date (being not earlier than the date referred to in paragraph 4) from which the licensee wishes the Authority to agree that those conditions shall cease to have effect.
4. No disapplication following delivery of a disapplication request shall have effect until a date being the earlier of not less than 18 months after delivery of the disapplication request or the following date:

- (i) in the case of a disapplication request which relates to the transmission network revenue restriction, 31 March 2006;
- (ii) in the case of a disapplication request which relates to the balancing services activity revenue restriction set out in Part 2(i) of special condition AA5A, 31 March 2006; and
- (iii) in the case of a disapplication request which relates to the balancing services activity revenue restriction set out in Part 2(ii) special condition AA5A, 31 March 2006.

Provided that in the event of a disapplication request being served by the licensee in the absence of agreeing any or all of the transmission network revenue and the balancing services activity revenue restriction the following default position shall apply:-

- (A) for the transmission network revenue restriction, the maximum allowable revenue for the relevant year commencing 1 April 2006 shall be defined in accordance with the formula in Part 1 of special condition AA5A where  $X_g$  equals zero and  $GW_{ref}$ , Rate<sub>i</sub> and  $L_i$  shall have the same values as those given in paragraphs 3 and 4 of Part 1 of special condition AA5A for the relevant year commencing on 1 April 2005;
- (B) for the balancing services activity revenue restriction set out in Part 2(ii) of special condition AA5A, the values set out in Schedule A, Part B for the relevant year commencing on 1 April 2005 shall apply; and
- (C) for the balancing services activity revenue restriction set out in

Part 2(i) of special condition AA5A, the values set out in Schedule A, Part B shall apply.

5. If the Authority has not made a reference to the Competition Commission under section 12 of the Act relating to the modification of the Conditions or the part or parts thereof specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such Conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
  
6. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the Conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of those Conditions, in whole or in part, operates or may be expected to operate against the public interest, the licensee may within 30 days after the publication of the report by the Authority in accordance with section 13 of the Act deliver to him written notice terminating the application of those conditions or any part or parts thereof with effect from the disapplication date or later.

**SCHEDULE A: SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION  
CONDITIONS**

**PART A**

No changes are proposed to Part A of Schedule A.

Nothing in this text alters the operation of Part A of Schedule A to this Special  
Condition.

## PART B

### Terms used in the balancing services activity revenue restriction

B1. For the purpose of paragraph 8 of Part 2(i) of special condition AA5A, the terms  $MT_t$ ,  $SF_t$  and  $CB_t$  shall be selected against the appropriate value of  $IBC_t$  (which shall be determined in accordance with paragraph 9 of special condition AA5A):

- (a) in respect of the relevant year  $t$  commencing on 1 April 2005
- (i) where the BETTA go-live date is a date later than 1 April 2005, for the period from and including 1 April 2005 up to the BETTA go-live date or up to and including 31 March 2006, if this is earlier than the BETTA go-live date, only, from the following table:

$IBC_t$ (£)	$MT_t$ (£)	$SF_t$	$CB_t$ (£)
< 219,900,000 (BPF)	0	0	40,000,000 (BPF)
219,900,000 (BPF)  < = $IBC_t$ <  319,900,000 (BPF)	319,900,000 (BPF)	0.40	0
319,900,000 (BPF)  < = $IBC_t$ <  419,900,000 (BPF)	319,900,000 (BPF)	0.40	0
> = 419,900,000 (BPF)	0	0	-40,000,000 (BPF)

- (ii) where the BETTA go-live date is a date later than 1 April 2005, for the period from and including the BETTA go-live date, if this is

earlier than or on 31 March 2006, up to and including 31 March 2006 only, from the following table:

<b>IBC<sub>t</sub> (£)</b>	<b>MT<sub>t</sub> (£)</b>	<b>SF<sub>t</sub></b>	<b>CB<sub>t</sub> (£)</b>
< 277,500,000 (1-BPF)	0	0	40,000,000 (1-BPF)
277,500,000 (1-BPF)  < = IBC <sub>t</sub> <  377,500,000 (1-BPF)	377,500,000 (1-BPF)	0.40	0
377,500,000 (1-BPF)  < = IBC <sub>t</sub> <  477,500,000 (1-BPF)	377,500,000 (1-BPF)	0.20	0
> = 477,500,000 (1-BPF)	0	0	-20,000,000 (1-BPF)

(iii) where the BETTA go-live date is 1 April 2005, from the following table:

<b>IBC<sub>t</sub> (£)</b>	<b>MT<sub>t</sub> (£)</b>	<b>SF<sub>t</sub></b>	<b>CB<sub>t</sub> (£)</b>
< 277,500,000	0	0	40,000,000
277,500,000  < = IBC <sub>t</sub> <  377,500,000	377,500,000	0.40	0
377,500,000			

<b>IBC<sub>t</sub> (£)</b>	<b>MT<sub>t</sub> (£)</b>	<b>SF<sub>t</sub></b>	<b>CB<sub>t</sub> (£)</b>
< = IBC <sub>t</sub> < 477,500,000	377,500,000	0.20	0
> = 477,500,000	0	0	-20,000,000

(b) in respect of the relevant year t commencing on 1 April 2006 and each relevant year thereafter, the terms MT<sub>t</sub>, SF<sub>t</sub> and CB<sub>t</sub> shall be set to zero.

B2. For the purpose of paragraph B1, the value of the term BPF (being the BETTA Profiling Factor) in respect of the relevant period t shall be given by the following formula:

$$BPF = \frac{(NDS * PFS) + (NDW * PFW)}{365}$$

where:

NDS which is the number of days (up to a maximum of 183) in the Summer Period from and including 1 April 2005 to the BETTA go-live date.

Summer Period means the period from and including 1 April 2005 up to and including 30 September 2005.

PFS which is the profiling factor in the Summer Period, shall have the value 0.9.

NDW which is the number of days (up to a maximum of 182) in the Winter Period from and including 1 October 2005 to the BETTA go-live date.



Winter Period means the period from and including 1 October 2005 up to and including 31 March 2006.

PFW which is the profiling factor in the Winter Period, shall have the value 1.1.

- B3. For the purpose of paragraph 9 of Part 2(i) of special condition AA5A, the term  $TLRP_j$  in respect of each settlement period during relevant period  $t$  shall have the value in £ per megawatt hour of 29.00.

For the purpose of paragraph 9 of Part 2(i) of special condition AA5A, the term  $TLT_j$  in respect of each settlement period during relevant period  $t$  shall be given by the following formula:

$$TLT_j = \frac{TLT_t}{SP_t}$$

where:

$TLT_t$  which is the target volume of transmission losses in relevant period  $t$ , shall have the value in megawatt hours of:

- a. 4,530,000 where the BETTA go-live date is a date later than 1 April 2005, for the period from and including 1 April 2005 up to the BETTA go-live date or up to and including 31 March 2006, if this is earlier than the BETTA go-live date, only.
- b. 5,790,000 where the BETTA go-live date is a date later than 1 April 2005, for the period from and including the BETTA go-live date, if this is earlier than or on 31 March 2006, up to and including 31 March 2006 only.
- c. 5,790,000 where the BETTA go-live date is 1 April 2005, for the relevant period  $t$ .

$SP_t$  which is the total number of settlement periods in the relevant period  $t$ .

B4. For the purpose of paragraph 9 of Part 2(i) of special condition AA5A, the term  $NIRP_j$ , which is the net imbalance volume reference price for each settlement period  $j$ , during relevant period  $t$ , shall be derived as follows:

(a) (i) where  $UKPXHH_j$  and  $UKPX4H_j$  data are published in respect of the relevant settlement period  $j$  then:

$$SPNIRP_j = (0.5 * UKPXHH_j) + (0.5 * UKPX4H_j)$$

(ii) where  $UKPXHH_j$  data are published and  $UKPX4H_j$  data are not published in respect of the relevant settlement period  $j$  then:

$$SPNIRP_j = UKPXHH_j$$

(iii) where  $UKPXHH_j$  data are not published and  $UKPX4H_j$  data are published in respect of the relevant settlement period  $j$  then:

$$SPNIRP_j = UKPX4H_j$$

(iv) where neither  $UKPXHH_j$  data nor  $UKPX4H_j$  data have been published in respect of the relevant settlement period  $j$  then:

$$SPNIRP_j = SPNIRP_{j-1}$$

where:

SPNIRP<sub>j</sub> means the single price net imbalance volume reference price for each settlement period j.

j in all cases shall mean a settlement period (being a half an hour) as defined in the BSC.

j-1 the settlement period immediately preceding the relevant settlement period j.

UKPXHH<sub>j</sub> means the United Kingdom Power Exchange (UKPX) volume weighted reference price for each settlement period j based on the traded prices of half hourly spot contracts.

UKPX4H<sub>j</sub> means the UKPX weighted average price in respect of all four (4) hour block market contracts delivered within the EFA block applying to those settlement periods j. In order to derive the UKPX4H<sub>j</sub> price in respect of each relevant settlement period j the EFA block containing the relevant settlement period j shall be used.

EFA block means the six four hourly blocks within the EFA day (being 23.00 hours to 23.00 hours in the immediately following day) set out in the table below:

Block	Time
1	23:00 to 03:00
2	03:00 to 07:00
3	07:00 to 11:00
4	11:00 to 15:00
5	15:00 to 19:00
6	19:00 to 23:00

(b) The term  $NIRP_j$  shall be derived as follows:

(i) where  $TQEI_j < 0$

$$NIRP_j = SPNIRP_j + (SPNIRP_j * PA1)$$

(ii) where  $TQEI_j > 0$

$$NIRP_j = SPNIRP_j - (SPNIRP_j * PA2)$$

(iii) where  $TQEI_j = 0$

$$NIRP_j = 0$$

where in respect of the relevant period  $t$ , the terms PA1 and PA2 shall have the value ascribed to those terms in the following table:

<b>PA1</b>	1.5
<b>PA2</b>	0.5

**No amendments are proposed to paragraphs B5 – B14 inclusive of this Special Condition, with one exception as outlined below.**

**One of the  $ISF_t$  values contained within paragraph B5 (e) will be revised as part of this proposed licence modification. However, the  $CSOC_t$  values contained within paragraph B5 (e) are the subject of a separate live proposed licence modification. The following table highlights the proposed modifications to one of the  $ISF_t$  values in paragraph B5 (e) only. The  $CSOC_t$  values are intentionally omitted as these are the subject of the separate live proposed licence modification.**

<b>(<math>CSOC_t</math>) (£)</b>	<b><math>ISF_t</math></b>
	0.40
	0.40 where the BETTA go-live date is a date later than 1 April 2005, for the period from and including 1 April 2005 up to the BETTA go-live date or up to and including 31 March 2006, if this is earlier than the BETTA go-live date, only.

	<p>0.20 where the BETTA go-live date is a date later than 1 April 2005, for the period from and including the BETTA go-live date, if this is earlier than or on 31 March 2006, up to and including 31 March 2006 only.</p> <p>0.20 where the BETTA go-live date is 1 April 2005, for the relevant period t.</p>
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