

To:

1. The Company Secretary
TC Gunfleet Sands OFTO Limited
Two London Bridge
London
United Kingdom
SE1 9RA
2. Other interested parties

Electricity Act 1989
Section 11A(1)(a)

**MODIFICATION OF THE ELECTRICITY TRANSMISSION LICENCE GRANTED
UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989
TO TC GUNFLEET SANDS OFTO LIMITED (COMPANY NUMBER: 07384551)**

Whereas –

1. TC Gunfleet Sands OFTO Limited (Company Number: 07384551) (“the Licence Holder”) is the holder of an electricity transmission licence (“the Licence”) granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”) to transmit electricity over an offshore transmission system.

2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority (“the Authority”) gave notice on 20 June 2013 (“the Notice”) that it proposed to make modifications to the following amended standard conditions of the Licence and required any representations to the proposed modifications to be made on or before 19 July 2013. The amended conditions are as follows:

- a) Amended Standard Condition A1 (Definitions and Interpretation)
- b) Amended Standard Condition E12-A1 (Definitions and Interpretation)
- c) Amended Standard Condition E12-J1 (Restriction of Transmission Revenue: Definitions)
- d) Amended Standard Condition E12-J3 (Restriction of Transmission Revenue: Allowed Pass through Items)
- e) Amended Standard Condition E12-J4 (Restriction of Transmission Revenue: Annual Revenue Adjustments)
- f) Amended Standard Condition E12-J5 (Restriction of Transmission Charges: Adjustments)
- g) Amended Standard Condition E12-J8 (Allowances in respect of Security Costs)
- h) Amended Standard Condition E13 (System Operator - Transmission Owner Code)

3. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.

4. Prior to the close of the consultation period in respect of the Notice, the Authority did not receive any responses.

5. In accordance with section 49A of the Act, the reasons for making the licence modifications are to correct minor typographical and algebraic errors, and clarify definitions in the licence.

6. The effects of the modifications are:

- a) to remove Amended Standard Condition A1 as it is no longer required following modifications to Standard Condition A1;

- b) for Amended Standard Condition E12-A1, to update references to licence conditions following the addition of amended standard condition E12-J11 (The Network Innovation Competition) in April 2013¹;
- c) for Amended Standard Condition E12-J1, to correct typographical errors and to clarify the definitions of 'network rates' and 'transmission service reduction';
- d) for Amended Standard Condition E12-J3, to clarify the costs covered by the Crown Estate Cost Adjustment (CEL_t);
- e) for Amended Standard Condition E12-J4, to clarify availability reporting requirements, correct the definition of the Five Year Credit Mechanism (5YCM_y) term, correct the numbering of the incentive terms in the Transmission System Availability Payment (TSAP_t) calculation, clarify that the Additional Capacity Investment Adjustment (ACA_t) term equals zero unless otherwise directed and to amend equation 31 (calculating the Incremental Capacity Revenue Driver (ICRD_t)) so that the Composite Circuit Rating (CCR) is measured in kVA, not kW;
- f) for Amended Standard Condition E12-J5, to clarify the reporting requirements for under collection of revenue;
- g) for Amended Standard Condition E12-J8, to correct a typographical error; and
- h) for Amended Standard Condition E13, to correct reference to Special Conditions A2, A3 and C2 and to include a reference to J11.

7. Where an application for permission to appeal the Authority's decision to modify the Licence is made to the Competition Commission under section 11C of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeals Rules requires that appellant to send notice setting out the matters required in Rule 5.2. TC Gunfleet Sands is the relevant licence holder in relation to this modification direction. The meaning of 'relevant licence holder' is set out in section 11A of the Act.

Now therefore

In accordance with the powers contained in section 11A(1)(a) of the Act, the Authority hereby modifies the Licence in the manner specified in attached Schedule 1. The modification of the licence will take effect on and from 20 November 2013.

This document constitutes notice of reasons for the decision to modify the electricity transmission licence as required by section 49A of the Act.

The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of



.....
Paul O'Donovan
Head of Regulatory and Support Services, Offshore Transmission

Duly authorised on behalf of the Gas and Electricity Markets Authority

25 September 2013

¹ [Notice under Section 11A\(1\)\(a\) of the Electricity Act 1989 \(The Network Innovation Competition\)](#)

Schedule 1 to the Authority's Notice under section 11A(2) of the Electricity Act 1989 dated 25 September 2013.

Condition A1: Definitions and Interpretations

All definitions within the above condition remain the same in Condition A1 save the following modification by way of addition of the underlined words to the following definition:

"consolidated transmission business"

for the purposes of standard conditions B1 (Regulatory Accounts), B15 (Price Control Review Information) and B16 (Price Control Revenue Reporting, Associated Information) and E2 (Regulatory Accounts) only, means the consolidation, for regulatory accounting purposes, of the business referred to in the definition of the "transmission business".

Substituting for paragraph 11(a)(ii) of Condition A1 the following

11. (a) (ii) — as not having effect in the licence until such time as the standard condition in which the definition is used has effect within the licence in pursuance of standard condition A2 (Application of Section C), or standard condition A3 (Application of Section D) or standard condition A6 (Application of Section E);

[No modifications are proposed to paragraphs 1 and 5 therefore these paragraphs are not shown below.]

Amended Standard Condition E12-A1: Definition and Interpretation

2. Subject to paragraph 1, unless the context otherwise requires, words and expressions used in the standard conditions of this licence shall bear the same meaning in amended standard conditions E12-A1 to ~~E12-J10~~ **E12-J11**.
3. Where a term is used in amended standard conditions E12-A1 to ~~E12-J10~~ **E12-J11** and is also used in Section E of the standard conditions for electricity transmission licences then, unless the context otherwise requires, it shall have the same meaning in amended standard conditions E12-A1 to ~~E12-J10~~ **E12-J11** as is ascribed to that term in Section E of the standard conditions.
4. Any reference in amended standard conditions E12-A1 to ~~E12-J10~~ **E12-J11** 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 supply licences;
 - (d) a provision of the standard conditions of electricity distribution licences;
 - (e) a provision of the standard conditions of electricity generation licences;
 - (f) 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.

[Modifications are proposed to the following definitions. For clarity, definitions that are not proposed to be modified are not included below]

Amended Standard Condition E12 - J1: Restriction of Transmission Revenue: Definitions

1. In this condition and in amended standard conditions E12 - J2 to E12-J10 inclusive:
 - "allowed pass-through items" means the items referred to in paragraph 2 of amended standard condition E12 - J3 (Restriction of Transmission Revenue charges: Allowed Pass-through Items).
 - "allowed transmission owner revenue" means in the commencement relevant year and every subsequent relevant year the revenue calculated in accordance with the formula set out in paragraph 4 of amended standard condition E12 - J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services);
 - "base transmission revenue" means the revenue calculated in accordance with the formula set out in paragraph 4 of amended standard condition E12 - J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services).
 - "commencement relevant year" means the relevant year, commencing 1 April 2011, in which this condition comes into force. **In this relevant year t=1.**
 - "excluded services" means those services provided by the licensee as part of its transmission business which in accordance with the principles set out in paragraph 1 of amended standard condition E12 - J10 (Excluded Services), ~~fall~~**are** to be treated as excluded services.

"network rates"

means:

- (a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 and hereditaments on the Local Rating Lists compiled under sections 41 and 41A of the Local Government Finance Act 1988; and
- (b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government Scotland Act 1975, the Local Government etc (Scotland) Act 1994, or any legislation amending or replacing those enactments

"transmission service reduction"

means a reduction in ~~normal service capability~~ transmission services from the parameters and levels set out in the Services Capability Specification (in accordance with the STC) as a result of an outage or services reduction.

[Paragraphs to which no modifications are proposed are not shown below.]

Amended Standard Condition E12-J3: Restriction of Transmission Revenue: Allowed Pass-through Items

Formula for Crown Estate Lease Cost adjustment (CEL_t)

6. For the purposes of paragraph 2, CEL_t is an amount ~~in respect of the Crown Estate Lease payment and means the amount~~ equal to the payments made by the licensee to the Crown Estate, in the relevant year t , in accordance with its obligations set out in its Crown Estate ~~Leases-~~ Lease in respect of the:
- (a) annual rent of the seabed; and
 - (b) legal expenses of the Crown Estate for the preparation, negotiation and completion of the Crown Estate Lease.

[Paragraphs to which no modifications are proposed are not shown below.]

Amended Standard Condition E12 - J4: Restriction of Transmission Revenue: Annual Revenue Adjustments

4. Where a transmission service reduction applies to a part of the licensee's transmission system and the licensee reasonably expects that the duration of such a transmission service reduction will apply for a period of more than 21 days then the licensee shall within 7 days of the transmission service reduction occurring notify the Authority in writing of the transmission service reduction including:
 - (a) details of the transmission ~~services~~ **service** reduction on the transmission ~~service~~ **services** the licensee provides to the System Operator;
 - (b) the cause of the transmission service reduction and whether, in the licensee's opinion, the transmission service reduction has been caused (in whole or in part) by an exceptional event;
 - (c) any interim work or other actions which are being undertaken to minimise the effect of the transmission service reduction; and
 - (d) indicate the timescale in which the licence reasonably considers that the transmission service reduction will be resolved together with supporting information that shall include (without limitation) any Service Restoration Proposal agreed with the System Operator in accordance with the STC.

5. Where, in the ~~relevant year t~~ **incentive period y**, the total effect and duration of all transmission service reductions, excluding those caused (in whole or in part) by an exceptional event:
 - (a) results in transmission system availability being, on average, below 75 per cent in that incentive period; or
 - (b) results in transmission system availability being, on average, below 80 per cent when considering the 24 month period of the incentive period y and the incentive period y-1;

then the licensee shall provide a written statement to the Authority, from an authorised director of the licensee, **within three months of the end of incentive period y**, explaining how the steps the licensee has taken have discharged the obligations in paragraph 3.

6. For the purposes of paragraph 2, the term $TSAl_t$ is derived from the following formula:

$$TSAl_t = \left(\frac{BR_{t-1}}{PR_{t-1}} \times TSAC_y \times PR_{t-6} \right) - BR_{t-1} \times TSAF_y \quad (11)$$

where t=y

where:

BR_t means base revenue calculated in accordance with the formula specified in paragraph 4 of amended standard condition E12 – J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services); and

$TSAC_y$ means the transmission system availability credit factor, which in any relevant year before the commencement relevant year shall take the value zero and in each subsequent relevant year is the percentage credit revenue adjustment factor based on the licensee's performance against the

transmission system availability incentive during incentive period y, and is derived from the following formula:

$$TSAC_y = TSIF \times \left(\frac{PAPC_y}{AVCOL_{y-5}} \right) \quad (12)$$

where:

TSIF means the transmission system incentive factor and shall in each incentive period y take the value of 10 per cent.

PAPC_y means the performance availability payout credits, after being held in the performance balance for 5 incentive periods and offsetting any penalties in that period, available to be cashed in incentive period y as set out in paragraph 8.

AVCOL_y means the annual value of the collar and is derived from the following formula:

$$AVCOL_y = \sum_{i=1}^{i=12} MVCOL_{i,y} \quad (13)$$

where:

MVCOL_{i,y} means the monthly value of the collar and is derived from the following formula:

$$MVCOL_{i,y} = MTSA_i \times COL \quad (14)$$

where:

COL means the maximum penalty collar for the availability incentive of 4 per cent.

MTSA_i means the maximum transmission system availability in month i that is required to be delivered being the minimum of:

- (i) the aggregate Transmission Entry Capacity; and
- (ii) the maximum system availability in month i that is capable of being delivered by the licensee by providing transmission services to the Normal Capability Limits;

both expressed as number of MW hours that could be achieved if the available capacity were fully utilised.

TSAF_y means the transmission system availability penalty factor, which in any relevant year before the commencement relevant year shall take the value zero and in each subsequent relevant year is the percentage penalty revenue adjustment factor based on the licensee's performance against the transmission system availability incentive during incentive period y and, subject to paragraphs 14 to 16, is derived from the following formula:

$$TSAF_y = TSIF \times \left(\frac{-PPRO_y}{AVCOL_y} \right) \quad (15)$$

where:

$PPRO_y$ means the performance penalty revenue offset representing the number of penalty permits that are offset against revenues in incentive period y as set out in paragraph 7.

7. For the purposes of paragraph 6, the performance penalty revenue offset ($PPRO_y$) shall be calculated in accordance with the following formula:

If $TPAPE_y < 0$ then (16)

If $TPAPE_y < -AVCOL_y$ then

$$PPRO_y = -AVCOL_y$$

If $TPAPE_y \geq -AVCOL_y$ then

$$PPRO_y = TPAPE_y$$

If $TPAPE_y \geq 0$ then

$$PPRO_y = 0$$

where:

$TPAPE_y$ means the total performance availability permits earned representing the cumulative value of penalties and credits earned up to and including incentive period y along with those credits and penalties up to period y that have effected revenue, being calculated as follows:

$$TPAPE_y = TPAPE_{y-1} + TSPP_y + TSPC_y - 5YPL_y - PPRO_{y-1} - PAPC_{y-1} \quad (17)$$

where:

$TSPP_y$ means the transmission system performance penalties incurred in each month i of incentive period y , being calculated as follows:

$$TSPP_y = \sum_{i=1}^{12} APE_{i,y} \quad (18)$$

where:

$APE_{i,y}$ means the availability penalties earned in each month i of incentive period y being calculated as follows:

If $APAPE_{i,y} < 0$ then (19)

$$APE_{i,y} = APAPE_{i,y}$$

If $APAPE_{i,y} \geq 0$ then

$$APE_{i,y} = 0$$

$APAPE_{i,y}$ means the adjusted performance availability permits earned in each month i of incentive period y , being calculated as follows:

$$APAPE_{i,y} = (RSIP_{i,y} - (TSIT_i \times MTSA_i)) \times TSIR_i \quad (20)$$

where:

TSIT_i means the base transmission system incentive target, in percentage terms, for month i as set out in Annex A.

RSIP_{i,y} means the reported system incentive performance (expressed as the number of MW hours the system was capable of delivering) in respect of month i in incentive period y derived in accordance with paragraph 9 to 13.

TSIR_i means the transmission system incentive rate as set out against the table in Annex A to this condition.

TSPC_{y,t} means the transmission system performance credits earned in each month i of incentive period y, being calculated as follows:

$$TSPC_y = \sum_{i=1}^{i=12} ACE_{i,y} \quad (21)$$

where:

ACE_{i,y} means the availability credits earned in each month i of incentive period y being calculated as follows:

$$\text{If } APAPE_{i,y} > 0 \text{ then} \quad (22)$$

$$ACE_{i,y} = APAPE_{i,y}$$

$$\text{If } APAPE_{i,y} \leq 0 \text{ then}$$

$$ACE_{i,y} = 0$$

5YPL_y means the 5 year penalty limit, which limits the effect of large outages to only 5 years of OFTO revenue, taking the value zero until incentive period y=6 and is then calculated as follows:

$$\text{If } TSPP_{y-5} + AVCOL_{y-5} < 0 \text{ and if } 5YPB_y < 0 \text{ then} \quad (23)$$

$$5YPL_y = 5YPB_y$$

$$\text{If } TSPP_{y-5} + AVCOL_{y-5} \geq 0 \text{ or } 5YPB_y \geq 0 \text{ then}$$

$$5YPL_y = 0$$

where:

5YPB_y means the 5 year penalty balance being calculated as follows:

$$5YPB_y = 5YPB_{y-1} + TSPP_{y-5} + TSPC_{y-1} - PPRO_{y-1} - 5YPL_{y-1} - PACC_{y-1} \quad (24)$$

8. For the purposes of paragraph 6 the performance availability payout credits (PAPC_y), represent those credits to effect revenue after being held in the performance balance (through the 5YCM_y mechanism) for 5 years from the incentive period y and offsetting any penalties in the intervening period, is determined in accordance with the following formula:

If $5YCM_y > 0$ then (25)

$$PAPC_y = 5YCM_y$$

If $5YCM_y \leq 0$ then

$$PAPC_y = 0$$

where:

$5YCM_y$ means the 5 year credit mechanism, which holds all credits in the performance balance for 5 years, using them to offset any penalties in the intervening period, before those credits can be cashed, ~~taking the value zero until incentive period y=6 and is then being~~ calculated as:

$$5YCM_y = 5YCM_{y-1} + TSPC_{y-5} + TSPP_y - PPRO_{y-1} - 5YPL_{y-1} - PAPC_{y-1} \quad (26)$$

9. For the purposes of this amended standard condition "reported system incentive performance ($RSIP_{i,y}$)" shall mean, in month i of incentive period y , the extent to which the licensee made transmission services available to the System Operator for the purposes of conveying, or affecting the flow of, electricity and reported system incentive performance ($RSIP_{i,y}$) shall be calculated as the maximum transmission system availability in month i ($MTSA_i$) less the effect, also in month i , of any **transmission** service reduction that applied to licensee's transmission system, subject to the following exclusions:
- (a) any reduction in transmission system availability resulting from a de-energisation or disconnection of a user's equipment under an event of default as defined in the CUSC;
 - (b) any reduction in transmission system availability resulting from a user's request for disconnection in accordance with the Grid Code;
 - (c) any reduction in transmission system availability resulting from emergency de-energisation by a user as defined in the CUSC; and
 - (d) any reduction in transmission system availability resulting from an emergency de-energisation or disconnection of a user's equipment necessary to ensure compliance with the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or to otherwise ensure public safety.
10. The Authority shall, by written notice to the licensee, direct that, for the purpose of calculating the reported system incentive performance ($RSIP_{i,y}$) that the value of reported system incentive performance ($RSIP_{i,y}$) shall be adjusted to the extent specified in that direction to offset the impact of the exceptional event, where:
- (a) the licensee considers that any event on the licensee's transmission system that causes a transmission service reduction has been wholly or partially caused by an exceptional event;
 - (b) the licensee has notified the Authority of such an event within 14 days of its occurrence;
 - (c) the licensee has provided details of the reduction in system availability that the licensee considers resulted from the exceptional event (including the anticipated duration of any reduction in availability) and such further information, if any, as the Authority may require in relation to such an exceptional event; and
 - (d) the Authority is satisfied that the event notified to it under sub-paragraph (b) is an

exceptional event

11. For the purpose of paragraph 10, the adjustment directed by the Authority shall be based on the extent to which the Authority is satisfied that the licensee had taken reasonable steps, consistent with Good Industry Practice, to manage the impact of the event on the availability of services provided to the System Operator in accordance with standard condition E15 (Obligation to provide transmission services) (both in anticipation of the event and after the event has occurred).
12. A direction under paragraph 10 shall not have effect unless, before it is made, the Authority has given notice to the licensee:
 - (a) setting out the terms of the proposed direction, including the extent to which the value of reported system availability performance for month i , and each subsequent month, should be increased to offset the impact of the exceptional event;
 - (b) stating the reasons, having regard to the information provided by the licensee and Good Industry Practice, why it proposes to issue the direction; and
 - (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objectionsand the Authority has considered such representations or objections and given reasons for its decision.
13. The licensee may request that a direction issued by the Authority pursuant to paragraph 10 be modified, where the licensee considers that:
 - (a) there has been a material change to the information previously provided by the licensee in relation to the exceptional event specified in the previous direction; and
 - (b) it has notified the Authority of the material change, no later than 3 months after the end of the incentive period to which it relates.
14. For the purposes of paragraph 6, the licensee may request that the transmission system availability penalty factor ($TSAF_y$) in respect of the incentive period y , take a value:
$$TSAF_y > \left[TSIF \times \left(\frac{-PPRO_y}{AVCOL_y} \right) \right] \quad (27)$$
being an amount between 10 and 50 per cent, with the purpose of bringing forward future long term penalties.
15. In making a request pursuant to paragraph 14, the licensee shall set out:
 - (a) its reasons for making the request;
 - (b) its calculations and supporting information in support of the proposed value of $TSAF_y$ in incentive period y ; and
 - (c) its proposals for future restrictions on the value of $TSAF_{y+1}, \dots, TSAF_{y+4}$ that the licensee considers would be necessary to maintain revenue neutrality with respect to the penalty liabilities incurred in respect of incentive period y .
16. The proposed value of $TSAF_y$ and proposed restrictions on $TSAF_{y+1}, \dots, TSAF_{y+4}$ set out in the requested pursuant to paragraph 14 shall only apply if, following consultation with interested parties, the Authority gives its consent, in writing, to the licensee; and the Authority's consent shall not be unreasonably withheld.

Part B: Transmission System Availability Incentive: Supplementary Provisions

17. The licensee shall, by no later than 14 days after the end of each three month period (being the three months ending either 31 March, 30 June, 30 September and 31 December), submit to the Authority a report setting out the reported system incentive performance ($RSIP_{i,y}$) for each of the months within the three month period and the report should include the calculation of $RSIP_{i,t,y}$ and provide a commentary in relation to those months where reported system incentive performance ($RSIP_{i,y}$) has fallen below the monthly incentive target ($TSIT_i \times MTSA_i$).
18. The licensee shall, by no later than sixteen years after this condition comes into force, procure, to the satisfaction of the Authority, financial security for the purposes of covering future financial liabilities up to and including the closing relevant year.
19. For the purposes of paragraph 18, the licensee shall, by no later than 3 months before the date that is sixteen years after this condition comes into force, provide to the Authority a notice specifying:
 - (a) the amount of financial security that the licensee intends to procure, being no less than 50 per cent of base transmission revenue;
 - (b) the form of the financial security that the licensee intends to procure;
 - (c) the independent financial institution with which the financial security is to be lodged; and
 - (d) the detailed terms on which the security can be called upon in the closing relevant year to meet the financial payments that have been incurred by the licensee in respect of the Transmission System Availability Incentive.
20. The Authority shall, within 2 months of receiving the notice specified in paragraph 19, indicate to the licensee whether the proposed arrangements for financial security (as specified in the notice) would be satisfactory. In the event that the Authority considers that the financial security arrangements proposed by the licensee are not satisfactory, the Authority shall set out in writing to the licensee the reasons why the proposed financial security arrangements are not satisfactory and those areas where modifications would be required. The Authority shall also set out the timescales within which the licensee is required to provide its amended proposal.
21. For the purposes of paragraph 2, $TSAP_t$ shall take the value zero except in the relevant year following the closing relevant year, where it shall be calculated in accordance with the following formula which uses the incentive periods ~~22-23~~ to ~~26-27~~ to calculate the value of the final credit payouts:

$$TSAP_{22} = \sum_{y=23}^{y=27} \frac{BR_{21}}{PR_{21}} \times TSAC_y \times PR_{t-56} \quad (28)$$

where $t=y$

Part C: Incremental Capacity Incentive Adjustment

22. For the purposes of paragraph 2, the incremental capacity incentive adjustment term (ICA_t) is derived from the following formula:

$$ICA_t = ICUA_t + (ACA_t \times RIT_t) \quad (29)$$

where:

$ICUA_t$ means the incremental capacity utilisation adjustment, as derived from the formula set out in paragraph 23; and

ACA_t means the additional capacity investment adjustment, **which for the purposes of this licence shall take the value zero, but may be changed, as derived** in accordance with paragraph 24.

RIT_t means the revenue indexation adjustment term calculated in accordance with the formula specified in paragraph 4 of amended standard condition E12 – J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services).

23. For the purposes of paragraph 22, the incremental capacity utilisation adjustment term (ICUA_t) shall be derived in accordance with the following formula:

$$ICUA_t = \max(0, ICRD_t \times ICU_t) \quad (29)$$

where:

ICRD_t means the incremental capacity revenue driver (in £/kW) and shall take the value as defined by the formula:

$$ICRD_t = \frac{BR_t}{CCR \times PF} \times RCF \quad (30)$$

Where:

CCR means the composite circuit rating based on the thermal rating of the offshore transmission cable circuit and shall take the value **182,000 kVA kW**.

PF means the power factor (kW to kVA ratio) associated with the offshore transmission cable circuit and shall take the value of **0.95 kW/kVA**.

RCF means the risk compensation factor and shall take the value 0.31.

ICU_t means the incremental capacity utilisation term (expressed in kW) representing the amount of capacity that the licensee has agreed to and has made available to the System Operator in accordance with standard condition E17.

[Paragraphs to which no modifications are proposed are not shown below.]

Amended Standard Condition E12 - J5: Restriction of Transmission Charges Revenue: Adjustments

1. If, in respect of any relevant year, the regulated transmission revenue (AR_t) exceeds the allowed transmission owner revenue ($OFTO_t$) by 3 per cent of the latter, the licensee shall ~~furnish~~ **provide** a written explanation to the Authority and in the next following relevant year the licensee shall not affect any increase in charges for the provision of transmission services, the revenue from which is regulated under amended standard condition E12 - J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services), unless it has demonstrated to the reasonable satisfaction of the Authority that the regulated transmission revenue in that next following relevant year would not be likely to exceed the allowed transmission owner revenue in that same relevant year.
2. If, in respect of any two successive relevant years, the sum of the amounts by which the regulated transmission revenue (AR_t) has exceeded the allowed transmission owner revenue ($OFTO_t$) is 4 per cent of the allowed transmission owner revenue ($OFTO_t$), then:
 - (a) the licensee shall ~~furnish~~ **provide** a written explanation to the Authority; and
 - (b) in the next following relevant year the licensee shall, if required by the Authority, adjust its charges for the provision of transmission services, the revenue from which is regulated under the amended standard condition E12 - J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services), such that the regulated transmission revenue (AR_t) would not be likely, in the judgment of the Authority, to exceed the allowed transmission owner revenue in that next following relevant year.
3. If, in respect of any relevant year, the licensee ~~fails to collect~~ **collects less than 97 per cent** of the allowed transmission owner revenue ($OFTO_t$) ~~by more than 3 per cent of the latter~~, the licensee shall ~~furnish~~ **provide** a written explanation to the Authority.

[Paragraphs to which no modifications are proposed are not shown below.]

Amended Standard Condition E12-J8: Allowances in respect of Security Costs

7. No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the charge restriction provisions of amended standard condition E12 - ~~E2-J2~~ (Restriction of transmission revenue: revenue from transmission owner services).

[References to which no modifications are proposed are not shown below.]

Condition E13: System Operator – Transmission Owner Code

Amended Standard Condition reference	STC reference
Amended Standard Condition E12 – A2: Market Rate Revenue Adjustment	Special Condition A2 A3: Debt Market Rate Revenue Adjustment
Amended Standard Condition E12 – A3: Post Tender Revenue Adjustment	Special Condition A3 A2: Post Tender Revenue Adjustment

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Amended Standard Condition E12 – C2: Separation and Independence of the Transmission Businesses	Special Condition C2: Separation and Independence of the Transmission Businesses
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Amended Standard Condition E12-J11: The Network Innovation Competition	Special Condition J11: The Network Innovation Competition
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