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Statutory consultation on the 2014/15 Permits Arrangements (varying lead-times for incremental obligated capacity) - Notice under section 23(2) of the Gas Act 1986

In this letter we set out our views on:

- our “minded to decision” to implement Permits Arrangements for 2014/15; and
- proposed modifications to the gas transporter licence held by National Grid Gas (NGG) in respect of its National Transmission System (NTS).

We are minded to make changes to NGG’s licence to give us the option of extending NGG’s Permits Arrangements to Year 2 of RIIO-T1¹ and implement a £13.39m allowance within that year. Extending these arrangements will provide industry with increased certainty about securing incremental capacity in NGG’s capacity release windows.

NGG and industry² have been working on new commercial arrangements, as set out in the background, that would supersede the need for the Permits Arrangements. These new commercial arrangements have taken longer to develop than we expected and we are, consequently, consulting in the event that we need to implement the Permits Arrangements as a contingency. There is the possibility that the commercial arrangements may be in place for the capacity release windows³, and as a result we propose that the Permits Arrangements will be dormant within the licence. We will only activate them if we are certain that the new commercial arrangements will not be in place in time and it is necessary for the Permit Arrangements to be in effect.

The proposed modifications in accordance with our minded to position are to Special Condition 2D (Permit Arrangements for the Provision of Incremental Capacity).⁴ Both our proposed decision and modifications are in line with the options that we set out in RIIO-T1 Final Proposals.

This document also sets out the background to the Permit Arrangements, the reasons and the effects of our proposed modification. Details of how to respond to this consultation on our minded to decision and the proposed modifications are below.

¹ RIIO-T1 (Revenues = Incentives + Innovation + Outputs) is an 8 year price control set for the transmission companies, including National Grid Gas’ NTS business, from 1 April 2013 to 31 March 2021.

² Industry refers to the gas industry, specifically users of the NTS

³ Incremental entry capacity is signalled through auctions held in March while incremental exit capacity is signalled through an application window held in July although it can be signalled on an ad-hoc basis.

⁴ We are also making changes to Special Condition 3A (Restriction of NTS System Operation Revenue) to maintain the cross-references within the licence.

Background

Users of the NTS provide signals to NGG when they require additional capacity through the capacity release windows. This capacity is known as "incremental capacity"⁵. NGG is required to deliver this capacity within 42 months and 38 months for entry and exit capacity respectively. These delivery times are called lead-times. As part of delivering this capacity NGG may need to invest in infrastructure on the NTS. The scale and complexity of the infrastructure required to meet some signals may mean that NGG will require longer than the default lead-times.

To allow NGG sufficient time to provide this infrastructure, we implemented the Permits Arrangements⁶, which allow NGG to extend the lead-times. We grant NGG an allowance of Permits which allows it to extend lead-times where it needs more time to deliver incremental capacity. NGG can also "earn" additional permits by reducing the lead-times for simpler projects. The overall effect is that this allows NGG to trade off the risk of more complex projects with those of simpler projects.

Each permit also has an associated financial value. At the end of each scheme⁷, NGG receives a sum of money for any permits that it has not used or that it has earned. This incentivises NGG to reduce lead-times where possible.

With the introduction of the changes to Planning Law in England and Wales⁸, NGG identified the need to make enduring changes to the arrangements for the release of incremental capacity⁹. The proposed changes were set out in its RIIO-T1 Business Plan (re-submitted to us in March 2012), with a projected implementation date of 1 April 2013. In summary, NGG sought to allow users to:

- signal for and reserve incremental capacity for extended planning and consenting periods required by the Planning Act 2008 (i.e. beyond the default lead-times); and
- take on user commitment for the incremental capacity only once planning permission has been granted.

We recognised, early on, the significant impact these proposals would have on the industry code arrangements. In our RIIO T-1 Initial Proposals, published in July 2012, we expressed our concerns about the likelihood of NGG achieving the implementation date of 1 April 2013, exacerbated by NGG'S late commencement of stakeholder engagement.

Due to our concern about the risk of the new arrangements not being in place on time we set out the following transitional measures in Final Proposals:

- retaining the existing regulatory arrangements in this area for the start of RIIO-T1, including the default lead-times for the release of incremental capacity; and
- providing an enhanced allowance of permits of £19m for the year 2013/14, enabling NGG to take longer to provide additional capacity in some cases, as needed.

The details of our enhanced permit allowance were as follows:

- allowing permits to be used for either incremental entry or exit capacity;
- assigning each permit a value of £5000;
- providing NGG with an allowance of 3800 permits, totalling £19m;

⁵ Incremental capacity is capacity above NGG's baselines – the amount of capacity NGG is obligated to provide.

⁶ The Permits Arrangements were first introduced in TPCR4 (Transmission Price Control Review 4) which ran from 1 April 2007 to 31 March 2012.

⁷ There were separate permit schemes in place for TPCR4, TPCR4 Roll-over and there is a scheme in place for RIIO-T1.

⁸ Planning Act 2008

⁹ The proposed changes will apply across all of Great Britain.

- allowing NGG to earn additional permits while the maximum cash-out would still be £19m; and
- only allowing lead-times to be extended by 24 months, except with our consent.

We also stated that, if necessary, we would later consider setting Permits Arrangements for years 2-4 of RIIO-T1. We stated that:¹⁰

- we would expect NGG to demonstrate good reason to continue with the Permit Arrangements;
- our starting point for setting the number of permits would be the evidence that NGG had submitted in response to our open letter¹¹, which indicated £40.2m worth of permits over 3 years;
- we would extend the arrangements by one year at a time;
- we would push back the cashout date by a year; and
- we would look to NGG to update the evidence provided based on its experience and greater knowledge.

These contingency measures were set out on the basis that we expected NGG to be proactive in taking forward further discussion with the industry on any potential commercial changes in this area.

We have received, and are at present considering, the relevant Uniform Network Code (UNC) modification proposals. They are still subject to our approval and were not provided to us sufficiently early to ensure that any associated changes to the licence and to NGG's methodology statements would be in place for 1 April 2014. While we recognise the engagement NGG has had with industry to develop and draft the UNC modification proposals, we are disappointed at how slow progress has been and that the new commercial arrangements will not necessarily be in place for 1 April 2014.

As a result, it is becoming increasingly important to clarify the arrangements for incremental capacity release that will apply from the start of the next financial year. Therefore, we are proposing to implement licence changes that will give us the option of implementing contingency arrangements. These arrangements would extend the permits scheme by another year – into 2014/15. We would only enable the contingency arrangements in the event that the new commercial arrangements are not established in good time for the scheduled capacity release windows. This will allow us to avoid the potential situation of implementing Permits Arrangements and granting NGG a financial allowance which could potentially not be used if the Permit Arrangements are then superseded by the new commercial arrangements.

Minded to decision

We propose to put in place licence changes which will allow us to later issue a direction to extend the Permits Arrangements for Year 2 of RIIO-T1. We would only issue this direction on the basis that new commercial arrangements might not be in place for the scheduled capacity release windows in that year. We will only issue a direction to bring the arrangements into force when we are certain that the new commercial arrangements will not be in place. If new commercial arrangements are delivered in time, then we will not direct that these Permits Arrangements come into force.

Reasons for our decision

NGG has not been able to deliver new commercial arrangements in time to guarantee that they will meet the extended implementation date of 1 April 2014. As a result we need to

¹⁰ Ofgem, RIIO-T1 Outputs, incentives and innovation supporting document, p48, paragraph 3.66

¹¹ Ofgem, Further views sought on implementation arrangements relating to the treatment of incremental capacity and constraint management incentives - open letter, 30 October 2012, 140/12

settle on arrangements that will apply in order to provide certainty for industry. Extending the Permit Arrangements for another year will:

- enable NGG to continue to manage incremental capacity requests efficiently while new incremental capacity arrangements are developed;
- allow existing capacity arrangements with which industry is familiar to continue, before new arrangements are implemented; and
- maintain existing lead-times.

We are minded to set a £13.39m allowance for Year 2 of RIIO-T1, based on evidence regarding potential projects that NGG has submitted. In setting this allowance we consider that:

- the body of evidence that NGG submitted is similar to the evidence that we used as the basis for the notional £40.2m allowance (over three years) set in RIIO-T1 Final Proposals;
- this evidence has been updated to reflect NGG's view of potential signals for incremental capacity and the deferral time required; and
- the parameters of the permits allowance are as set out in RIIO-T1 Final Proposals.

If we do not extend the permits allowance:

- there would be uncertainty for users over incremental capacity if the modification proposals for incremental capacity are not in place before industry needs to engage with capacity release processes; and
- consumers would potentially be exposed to significant incremental buy-back costs under the constraint management incentive.

Proposed Licence Modification

Our proposed modifications to implement Permits Arrangements for Year 2 will, subject to a further direction from us:

- implement Permits Arrangements from 1 May 2014 to 31 March 2015;
- allow permits earned or not used between 1 April 2013 and 31 March 2014 to be used between 1 May 2014 and 31 March 2015;
- allocate £13.39m of permits in RIIO-T1 for the formula year commencing 1 April 2014; and
- delay the cash-out date for any permits which are unused.

In line with our RIIO-T1 Final Proposals, NGG's Year 1 permit allowance will carry over to Year 2. Any permits that NGG earns or does not use in Year 1 will be usable in Year 2¹². Accordingly, as the Permits Arrangements run for an additional year NGG will receive revenue from the Permits Arrangements a year later; the cash-out date for the Permits Arrangements will be moved from 1 April 2015 to 1 April 2016.

Permits Arrangements in Years 3-4 of RIIO-T1

In our Final Proposals we indicated that we would be prepared to consider extending the Permits Arrangements in Years 2-4 of RIIO-T1. However, our clear preference set out in Final Proposals was for new arrangements to be agreed and implemented. We wish to reiterate our preference for new arrangements to be implemented soon, to maximise the potential benefits to consumers of an improved process. Should new arrangements not be in place before the start of 2015-16 we would expect to explore alternatives to a further extension of the Permits Arrangements. Alternatives would include setting a reduced

¹² As an example, if NGG is allowed 100 permits in Year 1, and 100 additional permits in Year 2, if it uses 40 permits in Year 1 it will then be allowed to use 160 in Year 2. If it then uses 130 in Year 2, it will have 30 permits left over and these will be cashed out.

allowance below the level than indicated in Final Proposals, or not extending the Permits Arrangements at all.

Next Steps

Subject to any representations that are made, we aim to publish the direction to modify Special Condition 2D in March 2014. The proposed modification would take effect 56 days after our decision to modify is published. The earliest date from which we would then be able to issue a direction to enable the Permits Arrangements, if required, would be in May 2014.

If you have any questions regarding the proposed modification please contact Aled Moses, (0207 901 3850; aled.moses@ofgem.gov.uk) in the first instance

Any representations on our minded-to decision or the proposed licence modifications may be made on or before 5 March 2014 to: Aled Moses, Gas Transmission Policy, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to gas.transmissionresponse@ofgem.gov.uk.

Yours faithfully,

Andy Burgess
Associate Partner, Transmission and Distribution Policy

Appendix 1 - Proposed Modifications to Special Condition 2D (Permit Arrangements for the Provision of Incremental Capacity)

Special Condition 2D. Permit Arrangements for the provision of incremental capacity

Introduction

2D.1 The purpose of this condition is to provide arrangements for the use of permits by the Licensee in relation to the provision of Incremental Obligated Entry Capacity and Incremental Obligated Exit Capacity (together ‘incremental obligated capacity’), including the maximum value of permits available for the Formula Year commencing on 1 April 2013 of £19m (2009/10 prices) and, where directed by the Authority, including the maximum value of permits available for the Formula Year commencing on 1 April 2014 of £32.39m (2009/10 prices), which would be an addition of £13.39m.

2D.2 The effect of the application of the Permit Arrangements under this condition is to allow the Licensee:

- (a) to vary the date on which the Licensee is contractually obliged to provide incremental obligated capacity; and
- (b) to obtain additional revenue for permits remaining at 31 May 2013 from the Legacy Permit Arrangements.

2D.3 The Licensee can use a permit to defer the delivery of one GWh per Day of incremental obligated capacity for a month or earn a permit for every one GWh per Day of incremental obligated capacity it delivers early by a month.

2D.4 The Licensee can use or earn multiple permits to defer or for delivery of any amount of incremental obligated capacity for a number of months subject to the provisions of this condition.

2D.5 Permits held by the Licensee at the end of the Formula Year commencing on 1 April 2013 will be usable by the Licensee in the Formula Year commencing on 1 April 2014, subject to the provisions of this condition and a direction from the Authority bringing the relevant provisions of this condition into effect.

~~2D.4~~2D.6 Part A sets out the provisions under which the Authority can bring specific provisions of this condition into effect by directing that permits may be used in the Formula Year commencing on 1 April 2014.

~~2D.5~~2D.7 Part BA sets out the provisions under which permits may be used and earned.

2D.8 Part CB sets out the level of permits applicable for use in the Formula Year commencing on 1 April 2013.

~~2D.6~~2D.9 Part D sets out the level of permits applicable for use in the Formula Year commencing on 1 April 2014.

2D.10 Part EC sets out the revenue earned by the Licensee for the Permit Arrangements where the Licensee is only allowed to use permits in the Formula Year commencing on 1 April 2013.

~~2D.7~~Part F sets out the revenue earned by the Licensee for the Permit Arrangements where the Licensee is allowed to use permits in both the Formula Years commencing on 1 April 2013 and 1 April 2014.

2D.11

2D.12 Part ~~GD~~ sets out arrangements to allow the Licensee to obtain additional revenue for any permits under the Legacy Permit Arrangements remaining on 31 May 2013.

2D.13 The Licensee will be granted permits applicable for use in the Formula Year commencing on 1 April 2014 subject to a direction from the Authority, which would bring specific provisions of Part D and Part F into effect while causing specific provisions of Part E to cease being in effect.

2D.14 The provisions within this condition have effect in this Licence in accordance with the provisions of Part A below.

Part A: Relevant directions with respect to this condition

2D.15 The Authority may bring provisions in this condition into effect by issuing a direction for that purpose, similarly the Authority may direct that provisions in this condition cease to be in effect.

2D.16 A direction under paragraph 2D.15 may give effect to different parts of this condition in such manner as is specified in the direction and at such different times as may be so specified or are to be determined in accordance with its provisions.

2D.17 Any direction under paragraph 2D.15 that causes Part E to cease being in effect will bring Part F in to effect.

2D.18 Unless the Authority so directs under paragraph 2D.15, Part D and Part F will not be in effect.

Part ~~BA~~: Provisions for using and earning permits

~~2D.8~~2D.19 The Permit Arrangements will apply, unless otherwise directed by the Authority in writing, for the Formula Year commencing on 1 April 2013 and, if applicable, 1 April 2014.

~~2D.9~~2D.20 Subject to paragraph 2D.~~21~~, the Licensee may, with the consent of the Authority, vary the Entry Lead Time for any individual NTS Entry Point or vary the Exit Lead Time for any individual NTS Exit Point.

~~2D.10~~2D.21 Consent will be deemed to have been granted by the Authority under paragraph 2D.~~20~~ if:

- (c) the Licensee is proposing to reduce the Entry Lead Time in relation to NTS Entry Points or the Exit Lead Time in relation to NTS Exit Points; or
- (d) the volume of capacity being deferred (in units of GWh per Day for each one month period) is, at Day n, less than the Licensee's permit entitlement PE_n defined in paragraph 2D.~~26~~6 (within the Formula Year commencing 1 April 2013) and defined in paragraph 2D. 28 (within the Formula Year commencing 1 April 2014) of this condition.

~~2D.11~~2D.22 The Licensee must not vary the Entry Lead Time or Exit Lead Time by more than 24 months at any NTS Entry Point or NTS Exit Point in relation to a single variation event without seeking written consent to do so from the Authority (such consent must be sought in a timely manner).

~~2D.12~~2D.23 In relation to NTS Entry Points, the Licensee must seek written consent not later than 105 days before the start of the Annual Invitation Period.

~~2D.13~~2D.24 In relation to NTS Exit Points either:

- (e) for applications for Incremental Obligated Exit Capacity under the Annual Application Window, the Licensee must seek written consent not later than 90 days before the start of the Annual Application Window; or
- (f) for applications for Incremental Obligated Exit Capacity made outside the Annual Application Window consistent with the obligations under Special Conditions 9A (Entry Capacity and Exit Capacity Obligations and Methodology Statements) and 9B (Methodology to determine the release of Entry Capacity and Exit Capacity volumes), the Licensee must use reasonable endeavours to seek written consent not later than 90 days in advance of the application.

~~2D.14~~2D.25 The Licensee shall notify the Authority in writing and in a timely manner of each instance where it varies the Entry Lead Time or Exit Lead Time for incremental obligated capacity specifying:

- (g) the NTS Entry Point or NTS Exit Point affected;
- (h) the volume of capacity (in units of GWh per Day) for which the Entry Lead Time or Exit Lead Time is being shortened; or
- (i) the volume of capacity (in units of GWh per Day) for which the Entry Lead Time or Exit Lead Time is being lengthened.

Part CB: Level of Permits Arrangements (1 April 2013 – 31 March 2014)

~~2D.15~~2D.26 The Licensee's permit entitlement on Day n (PE_n) (in units of GWh per Day for each one month period) for the Formula Year commencing on 1 April 2013 will be calculated in accordance with the following formula:

$$PE_n = 3800 + \sum_{v,n-1} DLTDVE_v$$

where:

$DLTDVE_v$ means the change in the Entry Lead Time or Exit Lead Time (in units of GWh per Day for each one month period) that arises from the variation event v as notified to the Authority pursuant to paragraph ~~2D.20~~20 of this condition.

v means the relevant variation event, where v=1 shall mean the first variation event notified to the Authority pursuant to paragraph ~~2D.20~~20 of this condition.

2D.27 For the avoidance of doubt,;

(j) where there have been no variations to the Entry Lead Time or Exit Lead Time (v=0), $DLTDVE_v$ will have the value zero (0); and-

~~(j)~~(k) The Licensee's Permit Entitlement (PE_n) in the Formula Year commencing on 1 April 2013 shall be adjusted by variation events notified to the Authority pursuant to paragraph 2D.20 within the Formula Year commencing on 1 April 2013.

Part D: Level of Permits Arrangements (5 May 2014 – 31 March 2015)

2D.28 The Licensee's permit entitlement on Day n (PE_n) (in units of GWh per Day for each one month period) for the Formula Year commencing on 1 April 2014 will be calculated in accordance with the following formula:

$$PE_n = 6478 + \sum_{v,n-1} DLTDVE_v$$

where:

$DLTDVE_v$ means the change in the Entry Lead Time or Exit Lead Time (in units of GWh per Day for each one month period) that arises from the variation event v as notified to the Authority pursuant to paragraph 2D.20 of this condition.

v means the relevant variation event, where v=1 shall mean the first variation event notified to the Authority pursuant to paragraph 2D.20 of this condition.

2D.29 For the avoidance of doubt:

(l) where there have been no variations to the Entry Lead Time or Exit Lead Time (v=0), $DLTDVE_v$ will have the value zero (0) and;

(m) the Licensee's permit entitlement (PE_n) in the Formula Year commencing on 1 April 2014 shall be adjusted by variation events notified to the Authority pursuant to paragraph 2D.20 within the Formula Years commencing on 1 April 2013 and 1 April 2014.

Part EC: Revenue earned from Permit Arrangements (1 April 2013 – 31 March 2014)

~~2D.16~~2D.30 For the purposes of Part E of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) the term PA_t shall be calculated in the Formula Year commencing 1 April 2015 as follows:

$$PA_t = \min[(PE_{end} \times \text{£}5,000), \text{£}19,000,000] \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

where:

PE_{end} means the value of PE_n (in GWh per Day for each one month period) where Day n is 31 May 2014.

PVF_t has the value given to it by Part D of Special Condition 2A.

$RPIF_t$ has the value given to it by Part D of Special Condition 2A.

~~2D.17~~2D.31 PA_t will have the value zero other than in the Formula Year commencing on 1 April 2015.

Part F: Revenue earned from Permit Arrangements (1 April 2013 – 31 March 2015)

2D.32 For the purposes of Part E of Special Condition 2A (Restriction of NTS Transportation Owner Revenue) the term PA_t shall be calculated in the Formula Year commencing 1 April 2016 as follows:

$$PA_t = \min[(PE_{end} \times \text{£}5,000), \text{£}32,390,000] \times PVF_{t-2} \times PVF_{t-1} \times RPIF_t$$

where:

PE_{end} means the value of PE_n (in GWh per Day for each one month period) where Day n is 31 May 2015.

PVF_t has the value given to it by Part D of Special Condition 2A.

RPIF_t has the value given to it by Part D of Special Condition 2A.

2D.33 PA_t will have the value zero other than in the Formula Year commencing on 1 April 2016.

Part **GD**: Legacy Permit Arrangements

~~2D.18~~2D.34 For the purposes of Part C of Special Condition 3A (Restriction of NTS System Operation Revenue) the DELINC_t term is derived in accordance with the following formula:

$$\text{DELINC}_t = \text{RLTDVEN}_{t-1} + \text{RLTDVEX}_{t-1}$$

where:

RLTDVEN_{t-1} means the value of the entry permits held by the licensee on 31 May 2013 from the arrangements set out in Special Condition C8C (NTS System Operation Activity Revenue Restriction) paragraph 3(a) as it was in force in this licence as at 31 March 2013.

RLTDVEX_{t-1} means the value of the exit permits held by the licensee on 31 May 2013 from the arrangements set out in Special Condition C8C paragraph 3(a) as it was in force in this licence as at 31 March 2013.

~~2D.19~~2D.35 DELINC_t will have the value zero except in the Formula Year commencing 1 April 2013 when it will be calculated in accordance with the formula in 2D.~~34~~20.

~~2D.20~~2D.36 RLTDVEN_{t-1} shall be calculated in accordance with the following formula:

$$\text{RLTDVEN}_{t-1} = \min[(\text{LTDVEN}_{\text{end}} \times \text{£}5,000), \text{£}8,256,960] \times \text{RPIF}_t$$

where:

LTDVEN_{end} means the value of LTDVEN_n (in GWh per Day for each one month period) where Day n is 31 May 2013 and is derived with the following formula:

$$\text{LTDVEN}_n = 1440 + \sum_{v,n-1} \text{DLTDVEN}_v$$

DLTDVEN_v means the change in the Entry Lead Time (in units of GWh per Day for each one month period) that arises from the variation event v as notified to the Authority by 1 May 2013.

~~2D.21~~2D.37 RLTDVEX_{t-1} shall be calculated in accordance with the following formula:

$$\text{RLTDVEX}_{t-1} = \min[(\text{LTDVEX}_{\text{end}} \times \text{£}274), \text{£}688,149] \times \text{RPIF}_t$$

where:

LTDVEX_{end} means the value of LTDVEX_n (in GWh per Day) where Day n is 31 May 2013 and is derived with the following formula:

$$\text{LTDVEX}_n = 2190 + \sum_{v,n-1} \text{DLTDVEX}_v$$

$DLTDVE_{x_v}$ means the change in the Exit Lead Time (in units of GWh per Day) that arises from the variation event v as notified to the Authority by 1 April 2013.

Appendix 2 - Proposed Modifications to Special Condition 3A (Restriction of NTS System Operation Revenue)

Special Condition 3A. Restriction of NTS System Operation Revenue

Part C: Calculation of Maximum NTS System Operation Revenue (SOMR_t)

3A.1 Maximum NTS System Operation Revenue, in Formula Year t, is derived in accordance with the following formula (in this condition, the “Principal Formula”):

$$\text{SOMR}_t = \text{SOBR}_t + \text{CM}_t + \text{TSS}_t + \text{DELINC}_t + \text{SOOIRC}_t - \text{SOK}_t$$

3A.2 In the Principal Formula:

- SOMR_t** means the amount of Maximum NTS System Operation Revenue in Formula Year t.
- SOBR_t** means the amount of Base NTS System Operation Revenue in Formula Year t as derived in accordance with the formula set out in Part D of this condition.
- CM_t** means the revenue adjustment in Formula Year t in respect of Constraint Management as derived in accordance with Special Condition 3B (Entry Capacity and Exit Capacity Constraint Management).
- TSS_t** means the revenue adjustment in Formula Year t in respect of NTS Transportation Support Services as derived in accordance with Special Condition 3C (NTS Transportation Support Services).
- DELINC_t** means the permits revenue adjustment made in Formula Year t in respect of Legacy Permit Arrangements as derived in accordance with Part ~~GD~~ of Special Condition 2D (Permit Arrangements for the provision of incremental capacity).
- SOOIRC_t** means the NTS System Operation Revenue External Incentive adjustment in respect of Formula Year t as derived in accordance with Special Condition 3D (NTS System Operator external incentives, costs and revenues).
- SOK_t** means the correction term revenue adjustment in Formula Year t as derived in accordance with the formula set out in Part E of this condition.