

Treatment of incremental & legacy capacity revenues under RIIO-T1 & NTS Charging Methodology impacts



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Overview

- **Key changes under RII0-T1**
- **Impacts on NTS Charging Methodology**
- **Possible timeline**

Key changes under RIIO

From 1st April 2013¹

- Revenue from Funded Incremental Obligated Entry/Exit Capacity (whether satisfied through substitution or investment) is treated as TO revenue within the Price Control formulae stated in the Licence (TORExCT)².
- Revenue from Legacy Incremental Entry/Exit Capacity is treated as SO revenue within the Price Control formulae stated in the Licence (SORExCT)³.
- National Grid will raise a UNC Modification to ensure the NTS Charging Methodology reflects these arrangements.

¹ Subject to National Grid's decision on Final Proposals

² Special Condition 2A of the Licence.

³ Special Condition 3A of the Licence.

Key impact on NTS Charging Methodology

- Changes are required to the charging methodology in respect of exit capacity charging only
 - UNC TPD Y 2.5.3 “TO Revenue Adjustment”
 - Other minor changes within Section Y are envisaged
- Licence reference updates & clarification of treatment of revenues resulting from the sale of different capacity types for RIIO-T1 have already been included in UNC Modification 0436S
- Further changes have been identified as required to fully align the charging methodology with the RIIO-T1 Licence, so as to ensure that the correct incremental capacity types/values are included in the charging base at the appropriate time.
- Further details will be provided at the next NTS CMF prior to raising a modification

Possible Timeline

- The modification is not urgent
- May be preferable for Mod 0436S to be completed first
 - Modification Panel decision on Mod 0436S likely to be 16th May
 - Without prejudicing the 'Panel decision, implementation of Mod 0436S could be 10th June
- Possible timelines are shown below, and our initial thoughts are that Timeline 3 might be the preferred option

	Timeline 1	Timeline 2	Timeline 3
Mod 0436S Decision (Mod Panel)	16th May	16th May	16th May
Mod 0436S Implementation	10th June	10th June	10th June
New Modification (Mod Panel)	18th April	16th May	20th June
1st Workgroup (WG Report)	2nd May	6th June	4th July
Issue for Consultation (Mod Panel)	16th May	20th June	18th July
Consultation Deadline	10th June	11th July	8th August
New Modification Decision (Mod Panel)	20th June	15th August	19th September
Possible Implementation	12th July	9th September	11th October