

### 3.1.3 The Forecast Required Revenue

- (a) The Forecast Required Revenue of the Licensee in respect of the Gas Year which commenced on 1 October 2004 shall be an amount to be determined by the Authority and notified to the Licensee on or before the date that the Licence comes into full force and effect.
- (b) The Forecast Required Revenue of the Licensee in respect of each subsequent Gas Year<sub>t</sub> (other than any Gas Year which is a Post Finance Gas Year) shall be:
  - (i) the Licensee's forecast of (aa) (bb) and (cc) below, namely:-
    - (aa) the Fixed Amount for such Gas Year<sub>t</sub> (which is represented by the term  $A_t$  in the formula set out in Condition 3.1.4(b)) plus
    - (bb) the amount of the Eligible Pass-Through Costs for such Gas Year<sub>t</sub> (which is represented by the term  $B_t$  in the formula set out in Condition 3.1.4(b)); plus
    - (cc) the Postalisation Adjustment for such Gas Year<sub>t</sub> (which is represented by the term  $C_t$  in the formula set out in Condition 3.1.4(b))

Minus

- (ii) the Licensee's forecast of (dd), (ee), (ff) ~~and (gg)~~ and (hh) below, namely:-
  - (dd) the Ratio Account Credit for such Gas Year<sub>t</sub> (which is represented by the term  $D_t$  in the formula set out in Condition 3.1.4(b)); plus
  - (ee) the Insurance Recoveries for such Gas Year<sub>t</sub> (which is represented by the term  $E_t$  in the formula set out in Condition 3.1.4(b)); plus

(ff) the UC Revenues for such Gas Year<sub>t</sub> derived from charges calculated in accordance with Condition 3.1.8 (which is represented by the term F<sub>t</sub> in the formula set out in Condition 3.1.4(b)); plus

~~(gg) the STC / VRF Revenues for such Gas Year (which is represented by the term G<sub>t</sub> in the formula set out in Condition 3.1.4(b)).~~

(hh) the Licensee OS Revenues Share for such Gas Year (which is represented by the term H<sub>t</sub> in the formula set out in Condition 3.1.4(b)).

### 3.1.4 Actual Required Revenue

(a) The Licensee's Actual Required Revenue (ARR<sub>t</sub>) for any Gas Year shall be the amount determined in accordance with the formula set out in Condition 3.1.4(b) for such Gas Year.

(b) The formula for the calculation of the Licensee's Actual Required Revenue is as follows, namely:-

$$ARR_t = (A_t + B_t + C_t + Z*(S_t)) - (D_t + E_t + F_t + G_t + H_t).$$

### 3.1.5 Definition of Formula Terms

As used in the formula in Condition 3.1.4 and elsewhere in this Condition 3.1:-

t = denotes a Gas Year;

t-1 = denotes the Gas Year which immediately precedes the Gas Year for the purposes of which any forecast or calculation is made in accordance with this Condition 3.1 (and the subscript t-2 shall be construed accordingly);

- $A_t$  = in respect of any Gas Year, the Fixed Amount for such Gas Year;
- $B_t$  = in respect of any Gas Year, the Eligible Pass-Through Costs for such Gas Year;
- $C_t$  = in respect of any Gas Year, the Postalisation Adjustment for such Gas Year;
- $S_t$  = in respect of any Gas Year, the Approved Surplus determined by the Authority in accordance with Condition 3.1.6 and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year;
- $Z_t$  = in respect of any Gas Year, a factor between 0 to 1, as determined by the Authority for such Gas Year and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year; and
- (a) the part of  $S_t$  which is not attributable to the value ascribed to that term by the  $H_t$  term embodied in the formula in Condition 3.1.6 a factor between 0 to 1, as determined by the Authority for such Gas Year and notified by the Authority to the Licensee on or before the eighth Business Day in November following the end of such Gas Year; and
- (b) the part of  $S_t$  which is attributable to the value ascribed to that term by the  $H_t$  term embodied in the formula in Condition 3.1.6, a factor equal to 1;
- $D_t$  = in respect of any Gas Year, the Ratio Account Credit for such Gas Year;
- $E_t$  = in respect of any Gas Year, the Insurance Recoveries for such Gas Year;
- $F_t$  = in respect of any Gas Year, the UC Revenues for such Gas Year.
- ~~$G_t$  = in respect of any Gas Year, the STC / VRF Revenues for such Gas Year~~
- $H_t$  = in respect of any Gas Year, the Licensee OS Revenues Share for such Gas Year.

### 3.1.7 Authority Direction and Definitions

3.1.7.1 Words and expressions used in Condition 3.1.5 or elsewhere in this Condition 3.1 (including Fixed Amount, Eligible Pass-Through Costs, Ratio Account Credit and Insurance Recoveries and Final Repayment Date) which are not defined in the Licence shall have the meanings given to them in a direction (the "Authority Direction") issued by the Authority to the Licensee for the purposes of this Condition 3.1.7.1.

3.1.7.2 As used in this Licence:-

~~"STC / VRF Revenues" means in respect of any Gas Year, the cash amounts actually received by the Licensee for the provision of the STC / VRF Services in that Gas Year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so received.~~

"OS Revenues" means, in respect of any Gas Year, the net revenues received in respect of the provision of the OS Services as determined in accordance with the OS Scheme;

"Licensee OS Revenues Share" means, in respect of any given Gas Year, the part of the OS Revenues actually received and retained in cash by the Licensee out of the proceeds of OS Revenues, after deduction of value added tax (if any) and any other taxes payable by the Licensee on the amounts so received and in accordance with the relevant provision of the OS Scheme;

"OS Capacity" and "Buy-Back Capacity" have the meanings given to them in Condition 2A.1.1).

3.1.7.3 The Authority Direction shall not be capable of being revoked or modified without the prior written consent of the Licensee, but shall, in accordance with its terms, not have effect in relation to any Gas Year which commences on or after the Final Repayment Date.

3.1.7.4 The Licensee shall perform any obligation imposed on it by the Authority Direction.

### 3.1.8 UC Charges

The Forecast UC Commodity Charge shall be calculated by the PSA in accordance with Condition 3.1.8.1 (a) and a Forecast UC Capacity Charge shall be calculated by the PSA in accordance with Condition 3.1.8.2 (a).

#### ~~3.1.8A **STC / VRF Services at Stranraer**~~

- ~~(a) — Notwithstanding any provision of or in (and, specifically, any definition which is set out in or is incorporated into) the **STC / VRF Conditions** which might indicate to the contrary, the provisions concerning the calculation and application of charges for the provision of the **STC / VRF Services** in the **STC / VRF Conditions**:~~
- ~~(i) — shall only apply to **STC / VRF Services** which involve **Exit Points** on the **Designated Network**; and~~
- ~~(ii) — accordingly shall not regulate the calculation and application of charges for any provision of **STC / VRF Services** which involve a **UC Exit Point** (as defined in **Condition 3.1.8.1(a)**)~~
- ~~(b) — Charges for any provision of the **STC / VRF Services** which involve a **UC Exit Point** shall be calculated and applied in accordance with the following provisions of this **Condition 3.1.8A**, namely;~~
- ~~(i) — the Licensee shall charge to each **UC Gas Supplier** (as defined in **Condition 3.1.8.1(a)**) to whom it allocates **Daily Capacity** at a **UC Exit Point** in respect of a given Day an amount (in respect of each **kWh / day** of such **Daily Capacity**) equal to the capacity charge per~~

~~kWh for that Day, as determined pursuant to the charging methodology statement referred to in Condition 2A.2.1.9(a);~~

~~(ii) the Licensee shall charge to each UC Gas Supplier, in respect of each kWh of gas which is allocated to that UC Gas Supplier at a UC Exit Point in any circumstance in which the UC Gas Supplier's entitlement to the allocation of such gas arises from the utilisation of Daily Capacity, an amount equal to the UCComC (as defined in Condition 3.1.8.1(a)) which is applicable at the time of the allocation;~~

~~(iii) the Licensee shall charge to each UC gas supplier to whom it makes any provision of the VRF Service in respect of a UC Exit Point, the same charge as is applicable at the time of the provision of the VRF Service, as determined pursuant to the charging methodology statement referred to in Condition 2A.2.1.9(b).~~

~~(e) Nothing in this Licence shall prejudice the right of the Licensee to impose on and recover from any person to whom it makes any provision of the STC / VRF Service which involves a UC Exit Point any Code Charges which are payable by that Gas Supplier in respect of the STC / VRF Services pursuant to the Network Code.~~

~~(d) For the avoidance of doubt, the charges described in this Condition 3.1.8A shall not be subject to reconciliation or other adjustment on any ground following the end of a Gas Year (including the ground that forecast costs or other amounts differ from the corresponding outturn costs or other amounts);~~

~~(e) As used in this Condition 3.1.8A:~~

- ~~(i) the expression "STC / VRF Conditions" has the meaning ascribed to it in Condition 2A.2.1.6; and~~
- ~~(ii) other capitalised expressions which are defined in the STC / VRF Conditions shall have the respective meanings ascribed to them in the STC / VRF Conditions.~~

### 3.1.8B OS Services at Stranraer

- (a) Notwithstanding any provision of or in (and, specifically, any definition which is set out in or is incorporated into) the OS Conditions or the OS Scheme, which might indicate to the contrary, the provisions concerning the calculation and application of charges (whether payable by or to the Licensee) for the provision of the OS Services:

~~(i) shall only apply to OS Services which involve Exit Points on the Designated Network; and~~

~~(ii)(i) accordingly~~ shall not regulate the calculation and application of charges for any provision of OS Services which involve a UC Exit Point (as defined in Condition 3.1.8.1(a));

- (b) Charges for any provision of OS Services which relate to or involve a UC Exit Point shall be calculated and applied in accordance with the following provisions of this Condition 3.1.8B namely:

- (i) the Licensee shall charge to each UC Gas Supplier (as defined in Condition 3.1.8.1(a)) to whom it allocates OS Capacity at a UC Exit Point in respect of a given Day an amount (in respect of each kWh / day of such OS Capacity) ~~equal to the capacity charge kWh for Daily Capacity for that Day,~~ as determined pursuant to the

charging methodology statement referred to in Condition  
2A.2.1.9(a);

- (ii) the Licensee shall charge to each UC Gas Supplier, in respect of each kWh of gas which is allocated to that UC Gas Supplier at a UC Exit Point in any circumstance in which the UC Gas Supplier's entitlement to the allocation of such gas arises from the utilisation of OS Capacity, an amount equal to the UCComC (as defined in Condition 3.1.8.1(a)) which is applicable at the time of the allocation;
  - (iii) the Licensee shall pay to UC Gas Suppliers from whom the Licensee purchases Buy-Back Capacity such amounts as are determined pursuant to the charging methodology statement referred to in Condition 2A.2.1.20(c).
- (d) For the avoidance of doubt, the charges described in this Condition 3.1.8B shall, in respect of a Gas Year, not be subject to reconciliation or other adjustment on any ground following the end of a Gas Year.
- (e) As used in this Condition 3.1.8B, “OS Scheme”, “OS Services”, “OS Capacity”, and “Buy-Back Capacity” shall have the meaning given to them in the OS Conditions (as defined in Part 2A).

### 3.1.8.2 **Forecast UC Capacity Charge**

- (a) The Forecast UC Capacity Charge to be charged to each UC Gas Supplier in respect of each unit of firm capacity held by each UC Gas Supplier in respect of a UC Exit Point shall be calculated by the PSA in accordance with the following formula:



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 Decision published 14<sup>th</sup> May 2015 (marked-up version)

$$UCCapC = \frac{[(PSFRR-FRR)+FRRU] \times \text{Capacity Percentage}}{\text{PS Initial Firm Capacity} - \text{TWFC}_t + \text{UC Firm Capacity}}$$

where:

“UCCapC” = the Forecast UC Capacity Charge;

“UC Firm Capacity” = at any relevant time in respect of a UC Gas Supplier, capacity held by such UC Gas Supplier on a firm basis in respect of a UC Exit Point in accordance with the provisions of the Network Code and in respect of a Gas Year (or any part of a Gas Year);

(b) The Monthly UC Capacity Payment shall be calculated in accordance with the following formula in respect of the UC Firm Capacity held by each UC Gas Supplier, the components of which shall be applied in respect of month “m” in Gas Year “t” and shall be payable by UC Gas Supplier “s”:

where:

$$MUCCapP_s = \frac{UCCapC}{12} \times UCFC_s$$

MUCCapPs = the Monthly UC Capacity Payment;

UCCapC = the Forecast UC Capacity Charge applicable in respect of Gas Year<sub>t</sub>;  
 and

UCFCs = the UC Firm Capacity held by UC Gas Supplier s in respect of Gas Year<sub>t</sub>.

3.1.8.3 **Forecast UC Revenue Receivable ~~and Forecast STC and VRF Revenue~~ Receivable**

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The Licensee's forecast of UC Revenues in respect of any Gas Year  $t$  shall be the aggregate of  $(UCComC_t \times UC \text{ Forecast Annual Quantity } t) + (UCCapC_t \times \text{the UC Firm Capacity held by all UC Gas Suppliers in Gas Year } t)$ .

~~The Licensee's forecast of STC / VRF Revenues shall be set at zero. The Licensee shall provide to the Authority such data and information as it has received from Gas Suppliers pursuant to the Network Code concerning their likely usage of Daily Capacity and of the Virtual Reverse Flow Service in such forthcoming Gas Year and their actual usage of Daily Capacity and of the Virtual Reverse Flow Service in any Gas Year which has ended prior to the making of the request). Such data to be provided no later than the last Business Day in June in the case of likely usage of Daily Capacity and of the Virtual Reverse Flow Service in such forthcoming Gas Year, and by the tenth Business Day in November in the case of actual usage of Daily Capacity and of the Virtual Reverse Flow Service in any Gas Year which has ended prior to the submission of the data.~~