

## Annex 2 - Charge Restriction Conditions

### 1. Definitions

#### 1.1. In this Annex:

- “capex”** means capital expenditure.
- “distribution services”** means all services provided as part of the Distribution Business other than excluded services.
- “excluded services”** means those services provided as part of the Transmission and Distribution Business which in accordance with the principles set out in paragraph 13 fall to be treated as excluded services.
- “maximum regulated transmission and distribution revenue”** means the maximum allowed revenue, **RP5<sub>At</sub>**, calculated in accordance with the formula at paragraph 2.2.
- “metered”** means in relation to any quantity transmitted and/or distributed, as measured by metering required pursuant to and defined in the Grid Code or (where no such meter is installed) as otherwise reasonably calculated;
- “opex”** means operating expenditure.
- “regulated transmission and distribution revenue”** means the revenue (measured on an accruals basis) derived from transmission and distribution charges (including to any Separate Business) in relevant year t, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived.
- “relevant year”** means:
- (a) in the case of relevant year t = 2013, the

period commencing on 1 January 2013 and ending on 30 September 2013; and

- (b) in the case of each other relevant year, a period of twelve months commencing on 1 October in any year and ending, in each case, on 30 September in the year following its commencement.

**“relevant year t”**

means that relevant year for the purposes of which any calculation falls to be made, and is to be read such that: a reference to ‘**relevant year t = 2013**’ means the relevant year ending on 30 September 2013; a reference to ‘**relevant year t-1**’ means the relevant year preceding relevant year t; and similar expressions construed accordingly.

**“RP5”**

means the period commencing on 1 January 2013 and ending on 30 September 2017.

**“RPI<sub>t</sub>”**

means the Retail Prices Index (1987 = 100) published or determined in March in each relevant year t, except:

- (a) in respect of relevant year t = 2013, when it is the Retail Prices Index published or determined in May 2013 (and any reference to **RPI<sub>2013</sub>** shall be construed accordingly); and
- (b) where another definition in this Annex provides to the contrary, in which case that other definition shall have effect.

**“RPI<sub>2009</sub>”**

means the Retail Prices Index published or determined in October 2009.

**“transmission and distribution charge**

means the paragraphs set out in this Annex 2 as from time to time modified or replaced in accordance

**restriction conditions”**

therewith or pursuant to Article 14, 17, 17A or 18 of the Order, under the Energy Order, under the SEM Order or under the Directive Regulations.

**“transmission and distribution charges”**

means all charges for the provision of transmission and distribution services and for wheeling, but excluding charges levied under the PSO Agreements (as defined in Condition 24A).

**“transmission and distribution services”**

means transmission services and distribution services taken together.

**“transmission services”**

means all services provided as part of the Transmission Business other than excluded services.

**“uncollected T&D revenue”**

means:

- (c) any amount owed to the Licensee in respect of regulated transmission and distribution revenue (other than an amount owed to the Licensee by SONI), which amount remains unpaid for six months after the date it first fell due for payment or which amount the Licensee deems (in accordance with the payment security policy) to be unrecoverable before the expiry of that six months period; plus the reasonable recovery costs incurred by the Licensee in respect of such amount and the reasonable interest attributable to such amount (calculated, in both cases, in accordance with the payment security policy); and
- (b) where the Licensee is not an affiliate of SONI Limited (a body corporate registered in Northern Ireland under company number NI038715), any amount owed to the Licensee

by SONI in respect of regulated transmission and distribution revenue which is to be included in the uncollected T&D revenue amount in accordance with the payment security policy; plus the reasonable recovery costs incurred by the Licensee in respect of such amount and the reasonable interest attributable to such amount (calculated, in both cases, in accordance with the payment security policy).

“unit” means a kilowatt hour.

## 2. The Maximum Regulated Transmission and Distribution Revenue

- 2.1. Without prejudice to paragraph 14, the Licensee shall, in setting its transmission and distribution charges, use its best endeavours to ensure that, in each relevant year  $t$ , the regulated transmission and distribution revenue shall not exceed the maximum regulated transmission and distribution revenue,  $RP5_{At}$ , for that relevant year.
- 2.2. For the purposes of paragraph 2.1:

$$RP5_{At} = C_t + O_t + P_t + Adj_t + Inc_t + D_t + K_t + K_{Dt}$$

Where:

$C_t$  means the capital expenditure revenue in relevant year  $t$ , calculated in accordance with paragraph 3.

$O_t$  means the operating expenditure revenue in relevant year  $t$ , calculated in accordance with paragraph 4.

$P_t$  means the pensions amount in relevant year  $t$ , calculated in accordance with paragraph 5.

**Adj<sub>t</sub>** means the adjustments amount in relevant year t, calculated in accordance with paragraph 6.

**Inc<sub>t</sub>** means the incentive amount in relevant year t, calculated in accordance with paragraph 7.

**D<sub>t</sub>** means the determined items amount (whether a positive or negative number) in relevant year t, calculated in accordance with paragraph 8.

**K<sub>t</sub>** means the correction factor (whether a positive or negative number) in relevant year t, calculated in accordance with paragraph 9.

**K<sub>Dt</sub>** means the correction factor relating to the previous price control arrangements (whether a positive or negative value) in relevant year t, calculated in accordance with paragraph 10.

### **3. The Capital Expenditure Revenue – C<sub>t</sub>**

3.1. For the purposes of this Annex, in each relevant year:

$$C_t = \text{Dep}_t + \text{Ret}_t + \text{NNC}_t + \text{Tax}_t$$

Where:

**Dep<sub>t</sub>** means depreciation revenue in relevant year t, calculated in accordance with paragraph 3.13.

**Ret<sub>t</sub>** means the allowed return in relevant year t, calculated in accordance with paragraph 3.14.

**NNC<sub>t</sub>** means the non-network capex amount in relevant year t, calculated in accordance with paragraph 3.15.

**Tax<sub>t</sub>** means the tax amount due in relevant year t, calculated in accordance with paragraph 3.16.

- 3.2. And for the purposes of the calculation of  $C_t$ , the terms referred to in paragraphs 3.3 to 3.12 shall have the meanings and values attributed to them in those paragraphs.

**The Regulatory Asset Bases – RAB<sub>t</sub>**

- 3.3. For the purposes of this Annex, there shall be the following regulatory asset bases:

- (a) the Core Transmission regulatory asset base, **RAB<sub>TN</sub>**;
- (b) the Pre-vesting Core Transmission regulatory asset base, **RAB<sub>PrevestTN</sub>**;
- (c) the Fund 3 Transmission regulatory asset base, **RAB<sub>F3TN</sub>**;
- (d) the Tyrone Cavan Interconnector regulatory asset base, **RAB<sub>TECN</sub>**;
- (e) the North South Interconnector regulatory asset base, **RAB<sub>NSI</sub>**;
- (f) the Core Distribution regulatory asset base, **RAB<sub>DN</sub>**;
- (g) the Pre-vesting Core Distribution regulatory asset base, **RAB<sub>PrevestDN</sub>**;
- (h) the Fund 3 Distribution regulatory asset base, **RAB<sub>F3DN</sub>**;
- (i) the Keypad Metering regulatory asset base, **RAB<sub>KEY</sub>**;
- (j) the FEMO regulatory asset base, **RAB<sub>FEMO</sub>**;
- (k) the NI2007 regulatory asset base, **RAB<sub>NI2007</sub>**;
- (l) the Enduring Solution regulatory asset base, **RAB<sub>ES</sub>**; and
- (m) the Connections regulatory asset base, **RAB<sub>CONN</sub>**.

- 3.4. In this Annex, each regulatory asset base is identified as a **RAB**, and **RAB<sub>X</sub>** refers to a regulatory asset base for which X represents the suffix assigned to that RAB at paragraph 3.3.

**The Opening Regulatory Asset Base – ORAB<sub>X<sub>t</sub></sub>**

3.5. For the purposes of this Annex, in each relevant year and for each RAB\_X, the opening regulatory asset base, **ORAB\_X<sub>t</sub>**, being the value of that RAB at the beginning of relevant year t, shall be established in accordance with paragraph 3.6.

3.6. For the purposes of this Annex:

(a) In relevant year t = 2013:

**ORAB\_X<sub>t</sub>** shall for each RAB\_X be equal to the amount specified in, or determined in accordance with, the table immediately below:

<b>RAB_X</b>	<b>Value</b>
<b>ORAB_TN<sub>t</sub></b>	<p>The value shall be that specified in a determination made by the Authority, taking account of:</p> <p>(a) the addition of actual Core Transmission capex by the licensee up to and including 31 December 2012; and</p> <p>(b) the removal of the value of any asset disposals by the licensee up to and including 31 December 2012,</p> <p>but subject in each case to the outcome of any audit of the relevant data carried out by or on behalf of the Authority.</p>
<b>ORAB_prevestTN<sub>t</sub></b>	18,724,527 *RPI <sub>2013</sub> /RPI <sub>2009</sub>
<b>ORAB_F3TN<sub>t</sub></b>	zero
<b>ORAB_TECN<sub>t</sub></b>	zero
<b>ORAB_NSI<sub>t</sub></b>	1,010,959 *RPI <sub>2013</sub> /RPI <sub>2009</sub>

<b>ORAB_DN<sub>t</sub></b>	<p>The value shall be that specified in a determination made by the Authority, taking account of:</p> <p>(a) the addition of actual Core Distribution capex by the licensee up to and including 31 December 2012; and</p> <p>(b) the removal of the value of any asset disposals by the licensee up to and including 31 December 2012,</p> <p>but subject in each case to the outcome of any audit of the relevant data carried out by or on behalf of the Authority.</p>
<b>ORAB_prevestDN<sub>t</sub></b>	85,300,624 *RPI <sub>2013</sub> /RPI <sub>2009</sub>
<b>ORAB_F3DN<sub>t</sub></b>	zero
<b>ORAB_KEY<sub>t</sub></b>	<p>The value shall be that specified in a determination made by the Authority, taking account of:</p> <p>(a) the addition of actual Keypad Metering capex by the licensee up to and including 31 December 2012; and</p> <p>(b) the removal of the value of any asset disposals by the licensee up to and including 31 December 2012,</p> <p>but subject in each case to the outcome of any audit of the relevant data carried out by or on behalf of the Authority.</p>
<b>ORAB_FEMO<sub>t</sub></b>	4,080,348 *RPI <sub>2013</sub> /RPI <sub>2009</sub>
<b>ORAB_NI2007<sub>t</sub></b>	17,214,253 *RPI <sub>2013</sub> /RPI <sub>2009</sub>



<b>ORAB_ES<sub>t</sub></b>	21,750,672 *RPI <sub>2013</sub> /RPI <sub>2009</sub>
<b>ORAB_CONN<sub>t</sub></b>	<p>The value shall be that specified in a determination made by the Authority, taking account of:</p> <p>(a) the addition of actual Connections capex by the licensee up to and including 31 December 2012; and</p> <p>(b) the removal of the value of any asset disposals by the licensee up to and including 31 December 2012,</p> <p>but subject in each case to the outcome of any audit of the relevant data carried out by or on behalf of the Authority.</p>

(d) In each other relevant year:

$$\mathbf{ORAB\_X_t = (CRAB\_X_{t-1}) * RPI_t/RPI_{t-1}}$$

**The Closing Regulatory Asset Base – CRAB\_X<sub>t</sub>**

3.7. For the purposes of this Annex, in each relevant year and for each RAB\_X, the closing regulatory asset base, **CRAB\_X<sub>t</sub>**, being the value of that RAB at the end of relevant year t, shall be calculated in accordance with paragraph 3.8.

3.8. For the purposes of this Annex:

(a) For each relevant year and for each RAB\_X, excluding **RAB\_TN** and **RAB\_DN** in relevant year t = 2013 only:

$$\mathbf{CRAB\_X_t = ORAB\_X_t + CA\_X_t - Dep\_X_t - CD\_X_t}$$

- (b) For **RAB\_TN** in relevant year  $t = 2013$  only, **CRAB\_X<sub>t</sub>** has the value calculated in accordance with paragraph (a) subject to the further deduction of the Capitalisation Practice Adjustment, **CPA\_TN<sub>2013</sub>**.
- (c) For **RAB\_DN** in relevant year  $t = 2013$  only, **CRAB\_X<sub>t</sub>** has the value calculated in accordance with paragraph (a) subject to the further deduction of the Capitalisation Practice Adjustment, **CPA\_DN<sub>2013</sub>**.

Where:

**CA\_X<sub>t</sub>** means the Capital Addition amount, as specified in or determined in accordance with paragraph 3.9, where X corresponds to the suffix which is assigned to RAB\_X at paragraph 3.3.

**Dep\_X<sub>t</sub>** means the Depreciation amount, as specified in or calculated in accordance with paragraph 3.10, where X corresponds to the suffix which is assigned to RAB\_X at paragraph 3.3.

**CD\_X<sub>t</sub>** means the Asset Disposal amount, as calculated in accordance with paragraph 3.11, where X corresponds to the suffix which is assigned to RAB\_X at paragraph 3.3.

**CPA\_TN<sub>2013</sub>** has the value attributed to it at paragraph 3.12(a).

**CPA\_DN<sub>2013</sub>** has the value attributed to it at paragraph 3.12(b).

#### **The Capital Addition Amount - CA\_X<sub>t</sub>**

- 3.9. For the purposes of this Annex, in each relevant year and for each RAB\_X, the Capital Addition amount, **CA\_X<sub>t</sub>**, shall be calculated as follows:

- (a) In the case of **RAB\_TN** only:

$$\mathbf{CA\_TN}_t = \mathbf{CA\_F1TN}_t + \mathbf{CA\_F2TN}_t$$

where **CA\_F1TN<sub>t</sub>** and **CA\_F2TN<sub>t</sub>** have the values assigned to them in respect of each relevant in the table immediately below.

	Relevant Year	Value
CA_F1TN <sub>t</sub>  (Fund 1 Capex for Core Transmission)	2013	14,478,172 *RPI <sub>t</sub> /RPI <sub>2009</sub> -CA_F1TNQ412 <sub>2013</sub>
	2014	17,936,117 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	19,437,393 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	20,177,408 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	20,384,499 *RPI <sub>t</sub> /RPI <sub>2009</sub>
CA_F2TN <sub>t</sub>  (Fund 2 Capex for Core Transmission)	2013	1,810,191 *RPI <sub>t</sub> /RPI <sub>2009</sub> -CA_F2TNQ412 <sub>2013</sub>
	2014	2,242,534 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	2,430,237 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	2,522,760 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	2,548,653 *RPI <sub>t</sub> /RPI <sub>2009</sub>

Where:

**CA\_F1TNQ412<sub>2013</sub>** means the actual capital expenditure in respect of Fund 1 Transmission that has been efficiently incurred during the period 1 October 2012 to 31 December 2012, adjusted by RPI; and

**CA\_F2TNQ412<sub>2013</sub>** means the actual capital expenditure in respect of Fund 2 Transmission that has been efficiently incurred during the period 1 October 2012 to 31 December 2012, adjusted by RPI;

in each case the relevant data having been submitted by the licensee to the Authority for approval by no later than 1 March 2013, and being subject in each case to any adjustment determined by the Authority following any audit of that data carried out by or on behalf of the Authority.

(b) In the case of **RAB\_DN** only:

$$CA\_DN_t = CA\_F1DN_t + CA\_F2DN_t$$

where **CA\_F1DN<sub>t</sub>** and **CA\_F2DN<sub>t</sub>** have the values assigned to them in respect of each relevant year in the table immediately below.

	<b>Relevant Year</b>	<b>Value</b>
<b>CA_F1DN<sub>t</sub></b>  (Fund 1 Capex for Core Distribution)	2013	32,650,165 *RPI <sub>t</sub> /RPI <sub>2009</sub> -CA_F1DNQ412 <sub>2013</sub>
	2014	39,089,246 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	42,310,583 * RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	43,797,531 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	44,573,577 *RPI <sub>t</sub> /RPI <sub>2009</sub>
<b>CA_F2DN<sub>t</sub></b>  (Fund 2 Capex for Core Distribution)	2013	5,053,554 *RPI <sub>t</sub> /RPI <sub>2009</sub> -CA_F2DNQ412 <sub>2013</sub>
	2014	6,050,188 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	6,548,783 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	6,778,931 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	6,899,046 *RPI <sub>t</sub> /RPI <sub>2009</sub>

Where:

**CA\_F1DNQ412<sub>2013</sub>** means the actual capital expenditure in respect of Fund 1 Distribution that has been efficiently incurred during the period 1 October 2012 to 31 December 2012, adjusted by RPI; and

**CA\_F2DNQ412<sub>2013</sub>** means the actual capital expenditure in respect of Fund 2 Distribution that has been efficiently incurred during the period 1 October 2012 to 31 December 2012, adjusted by RPI,

in each case the relevant data having been submitted by the licensee to the Authority for approval by no later than 1 March 2013, and being subject in each case to any adjustment determined by the Authority following any audit of that data carried out by or on behalf of the Authority

- (c) In the case of each other RAB\_X, **CA\_X<sub>t</sub>** in each relevant year t has the value equal to the amount specified in or determined in accordance with the table immediately below, where X corresponds to the suffix which is assigned to that RAB at paragraph 3.3.

<b>CA_X<sub>t</sub></b>	<b>Value</b>
<b>CA_PrestTN<sub>t</sub></b>	zero
<b>CA_F3TN<sub>t</sub></b>	<p>The value shall comprise the aggregate of all amounts of actual capex which were:</p> <p>(a) incurred by the Licensee in relevant year t in relation to Fund 3 Transmission projects approved by the Authority; and</p> <p>(b) have been approved by the Authority for inclusion in this Capital Addition amount in relation to that relevant year, following an assessment made by the</p>

	Authority in accordance with rules and procedures published by it for the purposes of this Annex.
<b>CA_TECN<sub>t</sub></b>	<p>The value shall comprise the aggregate of all amounts of actual capex which were:</p> <p>(a) incurred by the Licensee in relevant year t in relation to the Tyrone-Cavan Interconnector project; and</p> <p>(b) have been approved by the Authority for inclusion in this Capital Addition amount in relation to that relevant year, following an assessment made by the Authority in accordance with rules and procedures published by it for the purposes of this Annex.</p>
<b>CA_NSI<sub>t</sub></b>	zero
<b>CA_PrestestDN<sub>t</sub></b>	zero
<b>CA_F3DN<sub>t</sub></b>	<p>The value shall comprise the aggregate of all amounts of actual capex which were:</p> <p>(a) incurred by the Licensee in relevant year t in relation to Fund 3 Distribution projects approved by the Authority; and</p> <p>(b) have been approved by the Authority for inclusion in this Capital Addition amount in relation to that relevant year, following an assessment made by the Authority in accordance with rules and procedures published by it for the purposes of this Annex.</p>
<b>CA_KEY<sub>t</sub></b>	<p>The value shall comprise the aggregate of all amounts of actual capex which were:</p> <p>(a) incurred by the Licensee in relevant year t in relation to Keypad Metering; and</p>

	(b) have been approved by the Authority for inclusion in this Capital Addition amount in relation to that relevant year, following an assessment made by the Authority in accordance with rules and procedures published by it for the purposes of this Annex.
<b>CA_FEMO<sub>t</sub></b>	zero
<b>CA_NI2007<sub>t</sub></b>	zero
<b>CA_ES<sub>t</sub></b>	zero
<b>CA_CONN<sub>t</sub></b>	The value shall comprise the aggregate of all amounts of actual capex which were: <ul style="list-style-type: none"> <li>(a) incurred by the Licensee in relevant year t in relation to Distribution Connections; and</li> <li>(b) have been approved by the Authority for inclusion in this Capital Addition amount in relation to that relevant year, following an assessment made by the Authority in accordance with rules and procedures published by it for the purposes of this Annex.</li> </ul>

**The Depreciation Amount - Dep\_X<sub>t</sub>**

3.10. For the purposes of this Annex, in each relevant year and for each RAB\_X, the Depreciation amount, **Dep\_X<sub>t</sub>**, has the value equal to the amount specified in or calculated in accordance with the table immediately below, where X corresponds to the suffix which is assigned to that RAB at paragraph 3.3.

<b>Dep_X<sub>t</sub></b>	<b>Relevant Year</b>	<b>Value</b>
<b>Dep_TN<sub>t</sub></b>	Each	The value is the aggregate of:

	relevant year t	<p>(a) 3 percent of all capex items included within the RAB in respect of the first period of 20 years after the capex was incurred; and</p> <p>(b) 2 percent of all capex items included within the RAB in respect of the second period of 20 years after the capex was incurred,</p> <p>and is to be calculated in accordance with Table 1 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.</p>
<b>Dep_PrevestTN<sub>t</sub></b>	2013	1,415,657 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2014	1,731,651 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	1,605,254 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	1,453,576 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	1,327,178 *RPI <sub>t</sub> /RPI <sub>2009</sub>
<b>Dep_F3TN<sub>t</sub></b>	Each relevant year t	<p>The value is the aggregate of:</p> <p>(c) 3 percent of all capex items included within the RAB in respect of the first period of 20 years after the capex was incurred; and</p> <p>(d) 2 percent of all capex items included within the RAB in respect of the second period of 20 years after the capex was incurred,</p> <p>and is to be calculated in accordance with Table 1 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.</p>



<b>Dep_TECN<sub>t</sub></b>	Each relevant year t	<p>The value is the aggregate of:</p> <p>(e) 3 percent of all capex items included within the RAB in respect of the first period of 20 years after the capex was incurred; and</p> <p>(f) 2 percent of all capex items included within the RAB in respect of the second period of 20 years after the capex was incurred,</p> <p>and is to be calculated in accordance with Table 1 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.</p>
<b>Dep_NSI<sub>t</sub></b>	2013	48,656 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2014	64,874 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	54,062 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	43,250 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	43,250 *RPI <sub>t</sub> /RPI <sub>2009</sub>
<b>Dep_DN<sub>t</sub></b>	Each relevant year t	<p>The value is the aggregate of:</p> <p>(a) 3 percent of all capex items included within the RAB in respect of the first period of 20 years after the capex was incurred; and</p> <p>(b) 2 percent of all capex items included within the RAB in respect of the second period of 20 years after the capex was incurred,</p> <p>and is to be calculated in accordance with Table 1 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority</p>

		on 23 October 2012.
<b>Dep_PrevestDN<sub>t</sub></b>	2013	6,449,103 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2014	7,888,635 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2015	7,312,822 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2016	6,621,847 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2017	6,046,034 *RPI <sub>t</sub> /RPI <sub>2009</sub>
<b>Dep_F3DN<sub>t</sub></b>	Each relevant year t	<p>The value is the aggregate of:</p> <p>(c) 3 percent of all capex items included within the RAB in respect of the first period of 20 years after the capex was incurred; and</p> <p>(d) 2 percent of all capex items included within the RAB in respect of the second period of 20 years after the capex was incurred,</p> <p>and is to be calculated in accordance with Table 1 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.</p>
<b>Dep_KEY<sub>t</sub></b>	Each relevant year t	<p>The value comprises 6.67 percent of all capex items included within the RAB in respect of the period of 15 years after the capex was incurred, and is to be calculated in accordance with Table 1 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.</p>
<b>Dep_FEMO<sub>t</sub></b>	2013	2,040,174 *RPI <sub>t</sub> /RPI <sub>2009</sub>
	2014	2,040,174 *RPI <sub>t</sub> /RPI <sub>2009</sub>

	2015	$0 * RPI_t / RPI_{2009}$
	2016	$0 * RPI_t / RPI_{2009}$
	2017	$0 * RPI_t / RPI_{2009}$
<b>Dep_NI2007<sub>t</sub></b>	2013	6,268,824 $* RPI_t / RPI_{2009}$
	2014	8,358,431 $* RPI_t / RPI_{2009}$
	2015	87,305 $* RPI_t / RPI_{2009}$
	2016	2,472,728 $* RPI_t / RPI_{2009}$
	2017	19,210 $* RPI_t / RPI_{2009}$
<b>Dep_ES<sub>t</sub></b>	2013	1,864,180 $* RPI_t / RPI_{2009}$
	2014	2,485,573 $* RPI_t / RPI_{2009}$
	2015	2,485,573 $* RPI_t / RPI_{2009}$
	2016	2,485,573 $* RPI_t / RPI_{2009}$
	2017	2,485,573 $* RPI_t / RPI_{2009}$
<b>Dep_CONN<sub>t</sub></b>	Each relevant year t	<p>The value is the aggregate of:</p> <ul style="list-style-type: none"> <li>(e) 3 percent of all capex items included within the RAB in respect of the first period of 20 years after the capex was incurred; and</li> <li>(f) 2 percent of all capex items included within the RAB in respect of the second period of 20 years after the capex was incurred,</li> </ul> <p>and is to be calculated in accordance with Table 1 included</p>

		in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.
--	--	---

**The Asset Disposal Amount -  $CD_{X_t}$**

- 3.11. For the purposes of this Annex, in each relevant year and for each  $RAB_X$ , the Asset Disposal amount,  $CD_{X_t}$ , shall be calculated as follows:

$$CD_{X_t} = ACD_{X_{t-5}} * RPI_t / RPI_{t-5}$$

Where:

$ACD_{X_t}$  means the proceeds of the disposal of any land and buildings (not comprising Land Bank premises), the value of which constituted part of  $RAB_X$ , less any reasonably incurred costs of the disposal, but subject to the approval of the amount following any audit of the relevant data carried out by or on behalf of the Authority.

**The Capitalisation Practice Adjustment -  $CPA_{TN_{2013}}$  and  $CPA_{DN_{2013}}$**

- 3.12. For the purposes of this Annex:
- (a)  $CPA_{TN_{2013}}$  has the value 5,708,700 \*  $RPI_{2013} / RPI_{2009}$ ; and
  - (b)  $CPA_{DN_{2013}}$  has the value 26,006,300 \*  $RPI_{2013} / RPI_{2009}$ .

**The Depreciation Revenue –  $Dep_t$**

- 3.13. For the purposes of paragraph 3.1,  $Dep_t$  means the depreciation revenue in relevant year t, and is calculated as follows:

$$Dep_t = DepDist_t + DepTrans_t$$

Where:

**DepDist<sub>t</sub>** means the depreciation revenue for all Distribution RABs, and is calculated as the sum of **Dep\_DN<sub>t</sub>**, **Dep\_PrevestDN<sub>t</sub>**, **Dep\_F3DN<sub>t</sub>**, **Dep\_KEY<sub>t</sub>**, **Dep\_FEMO<sub>t</sub>**, **Dep\_NI2007<sub>t</sub>**, **Dep\_ES<sub>t</sub>** and **Dep\_CONN<sub>t</sub>**, where each term has the value attributed to it in respect of relevant year t in accordance with paragraph 3.10.

**DepTrans<sub>t</sub>** means the depreciation revenue for all Transmission RABs, and is calculated as the sum of **Dep\_TN<sub>t</sub>**, **Dep\_PrevestTN<sub>t</sub>**, **Dep\_F3TN<sub>t</sub>**, **Dep\_TECN<sub>t</sub>** and **Dep\_NSI<sub>t</sub>** where each term has the value attributed to it in respect of relevant year t in accordance with paragraph 3.10.

**The Allowed Return - Ret<sub>t</sub>**

3.14. For the purposes of paragraph 3.1, **Ret<sub>t</sub>** means the allowed return in relevant year t, and is calculated as follows:

$$\text{Ret}_t = \sum_{\text{AllRAB}_X} ((\text{ORAB}_X + \text{CRAB}_X)/2) * \text{VWACC}_t$$

Where:

$\sum_{\text{AllRAB}_X}$  means the summation of the values for every regulatory asset base, RAB<sub>X</sub>

**ORAB<sub>X<sub>t</sub></sub>** in respect of each RAB<sub>X</sub> in relevant year t, has the value established in accordance with paragraph 3.6.

**CRAB<sub>X<sub>t</sub></sub>** in respect of each RAB<sub>X</sub> in relevant year t, has the value calculated in accordance with paragraph 3.8.

**VWACC<sub>t</sub>** means the vanilla weighted average cost of capital in relevant year t, and in respect of each RAB<sub>X</sub> has a value equal to 4.55 percent.  
**In the case of the RAB\_NI2007 the VWACC<sub>t</sub> to be applied is 5.76 percent**

**The Non-Network Capex Amount -  $NNC_t$** 

- 3.15. For the purposes of paragraph 3.1,  $NNC_t$  means the non-network capex amount in relevant year t, and for each relevant year has a value equal to that set out in the table immediately below.

Relevant Year	Value
2013	1,504,425 $RPI_t/RPI_{2009}$
2014	2,005,900 * $RPI_t/RPI_{2009}$
2015	2,005,900 * $RPI_t/RPI_{2009}$
2016	2,005,900 * $RPI_t/RPI_{2009}$
2017	2,005,900 * $RPI_t/RPI_{2009}$

**The Tax Amount -  $Tax_t$** 

- 3.16. For the purposes of paragraph 3.1,  $Tax_t$  means the tax amount in relevant year t, and is calculated as follows:

$$Tax_t = TR_t / (1 - TR_t) * (Ret_t + NNC_t + NPVRA_t + Dep_t - Int_t - CA_t)$$

Where:

**$TR_t$**  means the rate of corporation tax applicable in Northern Ireland in relevant year t, as specified from time to time by the tax setting authority for Northern Ireland.

**$Ret_t$**  has the value calculated in accordance with paragraph 3.14.

**$NNC_t$**  has the value calculated in accordance with paragraph 3.15.

**$Dep_t$**  has the value calculated in accordance with paragraph 3.13.

**Int<sub>t</sub>** means an amount equal to the interest on the value of the average of all regulatory asset bases, RAB<sub>X</sub>, in relevant year t and is calculated in accordance with the following formula

$$Int_t = \frac{\left( \sum_{AllRAB\_X} ORAB\_X_t + CRAB\_X_t \right)}{2} * g * NCoD$$

Where:

$\sum_{AllRAB\_X}$  means the summation of the values for every regulatory asset base, RAB<sub>X</sub>

**ORAB<sub>X<sub>t</sub></sub>** in respect of each RAB<sub>X</sub> in relevant year t, has the value established in accordance with paragraph 3.6.

**CRAB<sub>X<sub>t</sub></sub>** in respect of each RAB<sub>X</sub> in relevant year t, has the value calculated in accordance with paragraph 3.8.

**g** means gearing and has the value of 50 percent.

**NCoD** means the nominal cost of debt and has the value of 6.65%.

**CA<sub>t</sub>** is an amount equal to the value of capital allowances in accordance with guidelines published by HM Revenue and Customs (or any successor body) in respect of relevant year t, and is to be calculated in accordance with Table 2 included in the document entitled ‘RP5 Final Determination Appendix K – Annex 2 Tables’ published by the Authority on 23 October 2012.

**4. The Operating Expenditure Revenue –  $O_t$**

4.1. For the purposes of this Annex, in each relevant year:

$$O_t = CO_t + FOU_t - FOU_{t-1} + AUO_{t-1}$$

Where:

**$CO_t$**  means the controllable opex allowance in relevant year t, as specified in the table at paragraph 4.2.

**$FOU_t$**  means the forecast uncontrollable opex in relevant year t, as specified in the table at paragraph 4.3.

**$AUO_t$**  means the level of uncontrollable operating expenditure in relevant year t, calculated in accordance with paragraph 4.4

But where for the purposes of relevant year t = 2013 only,  **$FOU_{t-1}$**  and  **$AUO_{t-1}$**  shall each be equal to zero.

4.2. For the purposes of paragraph 4.1, in each relevant year,  **$CO_t$**  shall be equal to the amount specified in the table immediately below:

<b>Relevant year</b>	<b>Amount (£)</b>
2013	27,970,286 * $RPI_t/RPI_{2009}$
2014	36,745,327 * $RPI_t/RPI_{2009}$
2015	36,466,500 * $RPI_t/RPI_{2009}$
2016	36,256,721 * $RPI_t/RPI_{2009}$
2017	36,147,141 * $RPI_t/RPI_{2009}$



4.3. For the purposes of paragraph 4.1, in each relevant year,  $FUO_t$  shall be equal to the amount specified in the table immediately below:

<b>Relevant year</b>	<b>Amount (£)</b>
2013	13,377,006 * $RPI_t/RPI_{2009}$
2014	17,796,008 * $RPI_t/RPI_{2009}$
2015	17,756,008 * $RPI_t/RPI_{2009}$
2016	17,716,008 * $RPI_t/RPI_{2009}$
2017	17,686,008 * $RPI_t/RPI_{2009}$

4.4. For the purposes of paragraph 4.1, in each relevant year,  $AUO_t$  shall be calculated as the aggregate of the following amounts, measured in pounds sterling:

- (a) amounts paid by the Licensee in respect of rates levied on transmission and distribution assets in accordance with the Valuation (Electricity) Order (Northern Ireland) 2003 or its successor legislation whether under such successor legislation such payments are still characterised as rates or not;
- (b) amounts incurred by the Licensee in respect of wayleaves;
- (c) amounts apportioned or allocated to the Licensee in respect of the fees paid under Condition 7 of this Licence;
- (d) amounts incurred by the Licensee in respect of injurious affection claims; and
- (e) amounts incurred by the Licensee in respect of the appointment of a Reporter, as defined in Condition 46 of this Licence.

**5. The Pensions Amount –  $P_t$**

5.1. For the purposes of this Annex, in each relevant year, the pensions amount,  $P_t$ , shall be calculated as follows:

$$P_t = Open_t + Dpen_t$$

Where:

**Open<sub>t</sub>** means the ongoing pensions amount in relevant year t, as specified in the table in paragraph 5.2.

**Dpen<sub>t</sub>** means the pension deficit amount in relevant year t, as specified in the table in paragraph 5.3, but subject to the provisions of paragraph 5.4.

5.2. For each relevant year, **Open<sub>t</sub>** shall be equal to the amount in the table immediately below:

Relevant year t	Amount (£)
2013	1,690,662
2014	2,188,559
2015	2,039,822
2016	2,062,927
2017	2,002,842

5.3. For each relevant year, **Dpen<sub>t</sub>** shall be equal to the amount in the table immediately below, subject to the provisions of paragraph 5.4:

Relevant year	Amount (£)
2013	9,219,199
2014	12,292,265
2015	12,292,265
2016	12,292,265
2017	12,292,265

5.4. In respect of relevant years  $t = 2015, 2016$  and  $2017$ , the Authority may:

- (a) having regard to the next formal pension valuation, expected to be made on 31 March 2014; and
- (b) applying the same methodology as is set out in the document entitled ‘RP5 Final Determination Appendix J – Pensions methodology’ published by the Authority on 23 October 2012.

by a direction issued to the licensee modify the amounts set out in the table at paragraph 5.3 in respect of those relevant years.

## 6. The Adjustments Amount – $Adj_t$

6.1. For the purposes of this Annex, in each relevant year, the adjustments amount,  $Adj_t$ , shall be calculated as follows:

$$Adj_t = PenA_t + NPVRA_t$$

Where:

**PenA<sub>t</sub>** means the pension adjustment amount in relevant year t, as specified in the table at paragraph 6.2.

**NPVRA<sub>t</sub>** means the NPV revenue adjustment in relevant year t, as specified in the table in paragraph 6.3.

6.2. For each relevant year, **PenA<sub>t</sub>** shall be equal to the amount in the table immediately below (note these are negative values):

<b>Relevant year</b>	<b>Amount (£)</b>
2013	-2,326,258
2014	-3,101,677
2015	-3,101,677
2016	-3,101,677
2017	-3,101,677

6.3. For each relevant year, **NPVRA<sub>t</sub>** shall be equal to the amount in the table immediately below:

<b>Relevant year</b>	<b>Amount (£)</b>
2013	450,000 * RPI <sub>2013</sub> /RPI <sub>2009</sub>
2014	900,000 * RPI <sub>2014</sub> /RPI <sub>2009</sub>
2015	1,800,000 * RPI <sub>2015</sub> /RPI <sub>2009</sub>
2016	2,700,000 * RPI <sub>2016</sub> /RPI <sub>2009</sub>

2017	3,150,000 * RPI <sub>2017</sub> /RPI <sub>2009</sub>
------	--

**7. The Incentive Amount – Inc<sub>t</sub>**

7.1. For the purposes of this Annex, in each relevant year, the incentive amount, **Inc<sub>t</sub>**, shall be calculated as follows:

$$\mathbf{Inc}_t = \mathbf{CML}_{It} + \mathbf{CI}_{It} + \mathbf{RPS}_{It}$$

Where:

**CML<sub>It</sub>** means the incentive amount that relates to unplanned, storm-adjusted Customer Minutes Lost, and is calculated for each relevant year t in accordance with paragraph 7.3.

**CI<sub>It</sub>** means the incentive amount that relates to unplanned, storm-adjusted Customer Interruptions, and is calculated for each relevant year t in accordance with paragraph 7.5.

**RPS<sub>It</sub>** means the incentive amount that relates to the revenue protection activities of the Licensee, in relevant year t, calculated in accordance with paragraph 7.7.

The Customer Minutes Lost Incentive

7.2. In paragraph 7.3:

(a) **CML<sub>t</sub>** means the number of storm-adjusted Customer Minutes Lost in relevant year t, expressed to two decimal places.

(b) **CML<sub>UL</sub>** means the upper limit for the number of storm-adjusted Customer Minutes Lost in any relevant year t, and is equal to 61.60.

(c) **CML<sub>LL</sub>** means the lower limit for the number of storm-adjusted Customer Minutes Lost in any relevant year t, and is equal to 50.40.

- (d) **CMLIR** means the incentive rate for storm-adjusted Customer Minutes Lost in any relevant year t, and is equal to £0.18 million.

7.3. For the purposes of paragraph 7.1, in each relevant year, the Customer Minutes Lost incentive amount, **CML<sub>It</sub>**, shall be calculated as follows:

- (a) In relevant year t = 2013

$$\mathbf{CML_{It} = 0}$$

- (b) In any relevant year other than t = 2013 in which  $\mathbf{CML_{t-1} \leq CML_{UL}}$  and  $\mathbf{CML_{t-1} \geq CML_{LL}}$ :

$$\mathbf{CML_{It} = 0}$$

- (c) In any relevant year other than t = 2013 in which  $\mathbf{CML_{t-1} > CML_{UL}}$ :

$$\mathbf{CML_{It} = (CML_{UL} - CML_{t-1}) * CMLIR}$$

except where the result of that calculation is a negative number greater than £0.9m, in which case **CML<sub>It</sub>** shall be equal to minus £0.9m.

- (d) In any relevant year other than t = 2013 in which  $\mathbf{CML_{t-1} < CML_{LL}}$ :

$$\mathbf{CML_{It} = (CML_{LL} - CML_{t-1}) CMLIR}$$

except where the result of that calculation is a positive number greater than £0.9m, in which case **CML<sub>It</sub>** shall be equal to £0.9m.

#### The Customer Interruptions Incentive

7.4. In paragraph 7.5:

- (a) **CI<sub>t</sub>** means the number of storm-adjusted Customer Interruptions in relevant year t, expressed to two decimal places.

- (b) **CI<sub>UL</sub>** means the upper limit for the number of storm-adjusted Customer Interruptions in any relevant year t, and is equal to 67.21.
- (c) **CML<sub>LL</sub>** means the lower limit for the number of storm-adjusted Customer Minutes Lost in any relevant year t, and is equal to 54.99.
- (d) **CIIR** means the incentive rate for storm-adjusted Customer Minutes Lost in any relevant year t, and is equal to £0.03 million.

7.5. For the purposes of paragraph 7.1, in each relevant year, the Customer Interruptions incentive amount, **CI<sub>It</sub>**, shall be calculated as follows:

- (a) In relevant year t = 2013

$$\mathbf{CI_{It} = 0}$$

- (b) In any relevant year other than t = 2013 in which  $\mathbf{CI_{t-1} \leq CI_{UL}}$  and  $\mathbf{CI_{t-1} \geq CI_{LL}}$ :

$$\mathbf{CI_{It} = 0}$$

- (c) In any relevant year other than t = 2013 in which  $\mathbf{CI_{t-1} > CI_{UL}}$ :

$$\mathbf{CI_{It} = (CI_{UL} - CI_{t-1}) * CIIR}$$

except where the result of that calculation is a negative number greater than £0.9m, in which case **CI<sub>It</sub>** shall be equal to minus £0.15m.

- (d) In any relevant year other than t = 2013 in which  $\mathbf{CI_{t-1} < CI_{LL}}$ :

$$\mathbf{CI_{It} = (CI_{LL} - CI_{t-1}) CIIR}$$

except where the result of that calculation is a positive number greater than £0.9m, in which case **CI<sub>It</sub>** shall be equal to £0.15m.

The Revenue Protection Incentive

7.6. In paragraph 7.7:

- (a) **RPS<sub>Ct</sub>** means the Licensee’s costs of operating revenue protection services in relevant year t.
- (b) **RPS<sub>Rt</sub>** means the Licensee’s revenues received from operating revenue protection services in relevant year t.

7.7. For the purposes of paragraph 7.1, in each relevant year, the revenue protection incentive, **RPS<sub>It</sub>**, shall be calculated as follows:

- (a) Where **RPS<sub>Ct</sub> ≥ RPS<sub>Rt</sub>**:

$$\mathbf{RPS_{It} = 0}$$

- (b) Where **RPS<sub>Rt</sub> > RPS<sub>Ct</sub>**

$$\mathbf{RPS_{It} = (RPS_{Rt} - RPS_{Ct}) * 0.5}$$

Definitions

7.8. For the purposes of this paragraph 7:

**“Customer Interruptions”** means the average annual number incidents of loss of electricity supply experienced by a customer connected to the Licensee’s transmission or distribution system in Northern Ireland.

**“Customer Minutes Lost”** means the average annual number of minutes loss of electricity supply experienced by a customer connected to the Licensee’s transmission or distribution system in Northern Ireland.

**“storm-adjusted”** refers to statistics that have been adjusted to account for periods of time in relation to which:

- (a) on a case-by-case basis;



- (b) having regard to all relevant circumstances; and
- (c) in accordance with any guidance that may be published by the Authority for the purposes of this paragraph,

the Authority has determined that the Licensee should be granted an exemption from reporting requirements.

**8. Determined Items Amount –  $D_t$**

8.1. For the purposes of this Annex, in each relevant year:

$$D_t = NRI_t + COL_t$$

Where:

**$NRI_t$**  means the non-regulated items amount, and is the aggregate of all amounts representing costs (being a positive figure) and revenues (being a negative figure) of the Licensee which are determined by the Authority in accordance with paragraphs 8.2 to 8.6 as constituting non-regulated items in respect of relevant year t.

**$COL_t$**  means the change of law amount, and is the aggregate of all amounts representing costs incurred (being a positive figure) and costs avoided or revenues obtained (being a negative figure) by the Licensee which are determined by the Authority in accordance with paragraphs 8.7 to 8.12 as being change of law items in respect of relevant year t.

**The Non-Regulated Items Amount -  $NRI_t$**

8.2. An anticipated cost or revenue of the Licensee constitutes a non-regulated item in respect of a relevant year if the Authority has determined before the commencement of that relevant year that:

- (a) it was not taken into account by the Authority when setting any allowance of the Licensee in respect of RP5;
- (b) it will not otherwise be accounted for by any provision of this Annex 2; and
- (c) having regard to all of the circumstances, it is appropriate for treatment as a non-regulated item in respect of that relevant year.

8.3. The Authority may make a determination in accordance with paragraph 8.2:

- (a) on an application made to it by the Licensee; or
- (b) otherwise, following consultation with the Licensee.

8.4. An application made to the Authority by the Licensee pursuant to paragraph 8.3(a) shall contain or be accompanied by all relevant details of the anticipated cost or revenue, and such other information as the Authority may require and, unless the Authority otherwise consents, may not be given later than the first day of April in the year immediately preceding the first of the relevant years in respect of which the Licensee wishes that cost or revenue to be treated as a non-regulated item.

8.5. Where the Authority determines that an anticipated cost or revenue is appropriate for treatment as non-regulated item in one or more relevant years, it shall specify the amount to be attributed to  $NRI_t$  in relation to that cost or revenue in respect of each relevant year during RP5, beginning with the first relevant year which commences subsequent to the making of its determination.

8.6. An anticipated cost relating to a single event or activity may not constitute a non-regulated item unless its value is determined by the Authority to be in excess of £1 million in at least one relevant year during RP5 following the date of the determination.

**The Change of Law Amount -  $COL_t$**

8.7. An anticipated cost incurred, cost avoided, or revenue obtained by the Licensee constitutes a change of law item in respect of a relevant year if the Authority has determined before the commencement of that relevant year that:

- (a) there has been or will be a relevant change of law during RP5;
- (b) there will be a cost incurred, cost avoided or revenue obtained by the Licensee (as the case may be) that is directly attributable to the relevant change of law; and
- (c) having regard to all the circumstances, it is appropriate to recognise the amount as a change of law item in order to ensure that the financial position and performance of the Licensee will be, so far as is reasonably practicable, the same as if the relevant change of law had not taken place.

8.8. The Authority may make a determination in accordance with paragraph 8.7:

- (a) on an application made to it by the Licensee; or
- (b) otherwise, following consultation with the Licensee.

8.9. An application made to the Authority by the Licensee pursuant to paragraph 8.8(a) shall contain or be accompanied by all relevant details of the anticipated cost or revenue, and such other information as the Authority may require and, unless the Authority otherwise consents, may not be given later than the first day of April in the year immediately preceding the first of the relevant years in respect of which the Licensee wishes that cost or revenue to be treated as a change of law item.

8.10. Where the Authority determines that an anticipated cost or revenue is appropriate for treatment as a change of law item in one or more relevant years, it shall specify the amount to be attributed to  $COL_t$  in relation to that cost or revenue in respect of each relevant year during RP5, beginning with the first relevant year which commences subsequent to the making of its determination.

8.11. An anticipated cost incurred in relation to a single relevant change of law may not constitute a change of law item unless its value is determined by the Authority to be in excess of £1 million in at least one relevant year during RP5 following the date of the determination.

8.12. In this paragraph 8:

**“provision of law”**

means any of the following, to the extent that it applies to or is binding on the Licensee:

- (a) any enactment;
- (b) any regulation made by the Council or the Commission of the European Union, or any decision taken by the Commission;
- (c) any interpretation of law, or finding, contained in any judgment given by a court or tribunal of competent jurisdiction in respect of which the period for making an appeal has expired and by virtue of which any provision of law falling within (a) or (b) above is required to be given effect in a way different to that in which it previously had effect; and
- (d) any direction of a competent authority other than the Authority or the Department.

**“relevant change of law”**

means any of the following, to the extent that it applies to or is binding on the Licensee:

- (a) the application of any provision of law that did not previously have effect;
- (b) the amendment of or change to any provision of law that did previously have effect; and
- (c) the cessation of any provision of law that did previously have effect.

**9. The Correction Factor -  $K_t$**

9.1. For the purposes of this Annex:

- (a) In relevant year  $t = 2013$ :

$$K_t = 0$$

- (b) In each other relevant year:

$$K_t = (RP5_{At-1} - ARP5_{t-1})(1+I_t/100)$$

Where:

**RP5<sub>At-1</sub>** means the maximum regulated transmission and distribution revenue in relevant year  $t-1$ .

**ARP5<sub>t-1</sub>** means the regulated transmission and distribution revenue in relevant year  $t-1$ .

**I<sub>t</sub>** means the arithmetic mean of the daily base rates of Northern Bank Limited (or such other bank as the Authority shall specify from time to time) current during relevant year  $t$ .

## **10. The RP4 Correction Factor - $K_{Dt}$**

10.1. For the purposes of this Annex:

- (a) In relevant year  $t = 2013$ :

$$K_{Dt} = (Vt)(1+I_t/100)$$

Where:

**Vt** means such an amount relating to the RP4 Powerteam profit share mechanism and to the RP4 capex efficiency mechanism amount as has been submitted by the Licensee to the Authority and approved by the Authority for the purposes of this paragraph.

$I_t$  means the arithmetic mean of the daily base rates of Northern Bank Limited (or such other bank as the Authority shall specify from time to time) current during relevant year  $t$ .

(e) In each other relevant year:

$$K_{Dt} = 0$$

### **PART 3**

#### **Part 3 applies to the Maximum Regulated Transmission and Distribution Revenue**

#### **11. Restriction of transmission and distribution charges: adjustments**

11.1. If, in respect of any relevant year, the regulated transmission and distribution revenue exceeds the maximum regulated transmission and distribution revenue by more than the permitted one-year percentage, the Licensee shall provide an explanation to the Authority and in the next following relevant year the Licensee shall not effect any increase in the transmission and distribution charges unless it has demonstrated to the reasonable satisfaction of the Authority that the regulated transmission and distribution revenue would not be likely to exceed the maximum regulated transmission and distribution revenue in that next following relevant year.

11.2. If, in respect of any three successive relevant years, the sum of the amounts by which the regulated transmission and distribution revenue has exceeded the maximum regulated transmission and distribution revenue is more than the permitted three-year percentage, then in the next following relevant year the Licensee shall, if required by the Authority, adjust the transmission and distribution charges such that the regulated transmission and distribution revenue would not be likely, in the judgment of the Authority, to exceed the maximum regulated transmission and distribution revenue in that next following relevant year.

11.3. In this paragraph:

**“permitted one-year percentage”** means 4 percent of the maximum regulated transmission and distribution revenue.

**“permitted three-year percentage”** means 5 percent of the maximum regulated transmission and distribution revenue in the second of the three relevant years.

**12. Information to be provided to the Authority in connection with the transmission and distribution charge restriction conditions**

12.1. Where any change is intended to be made in transmission and distribution charges regulated under paragraph 2, the Licensee shall not later than 14 days prior to the time of publication of such change provide the Authority with:

- (a) a written forecast of the maximum regulated transmission and distribution revenue, together with its components, in respect of the relevant year  $t$  in which such change is to take effect and in respect of the next following relevant year  $t+1$ ; and
- (b) a written estimate of the maximum regulated transmission and distribution revenue, together with its components, in respect of the relevant year  $t-1$  immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 12.5 in respect of relevant year  $t-1$  has been provided by the Licensee to the Authority more than 14 days before the publication of the proposed change.

12.2. If within 3 months of the commencement of any relevant year  $t$  the Licensee has not made any such change in charges as is referred to in paragraph 12.1, the Licensee shall provide the Authority with a written forecast of the maximum regulated transmission and distribution revenue, together with its components, in respect of relevant year  $t$ .

12.3. The Authority may issue directions providing that any forecast or estimate provided in accordance with paragraph 12.1 or 12.2 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis and the Licensee shall comply with any such directions.

12.4. Not later than six weeks after the commencement of each relevant year  $t$ , the Licensee shall send to the Authority a statement as to:

- (a) whether or not the provisions of paragraph 11 are likely to be applicable in consequence of the regulated transmission and distribution revenue in the preceding relevant year t-1 or the three preceding relevant years t-1, t-2 and t-3; and
- (b) its best estimate as to the relevant correction factor  $K_t$  calculated in accordance with the formula set out in paragraph 9 to be applied in calculating the maximum regulated transmission and distribution revenue in respect of relevant year t.

12.5. Not later than three months after the end of each relevant year the Licensee shall send to the Authority a statement, in respect of that relevant year:

- (a) showing the terms specified by the Authority for the purposes of this Annex;
- (b) in such form as may be specified by the Authority from time to time; and
- (c) to the extent that any forecast of the Retail Prices Index (RPI) is required for the purposes of the statement, relying on the most recent forecast of RPI issued by the Office for Budget Responsibility (or any successor body) and available at the time of the statement.

12.6. The statement referred to in the preceding paragraph shall be:

- (a) accompanied by a report from the Auditors that in their opinion:
  - (i) such statement fairly presents each of the items referred to in paragraph 12.5 in accordance with the requirements of the transmission and distribution charge restriction conditions; and
  - (ii) that the amounts shown in respect of each of the specified items are in accordance with the accounting records which have been maintained in respect of each relevant Separate Business in accordance with Condition 2; and
- (b) certified by a director of the Licensee on behalf of the Licensee that to the best of his knowledge, information and belief after having made all reasonable enquiries:



- (i) there is no amount included in its calculations under paragraph 2 which represents other an amount permitted under the transmission and distribution charge restriction conditions to be so included;
- (ii) no service has been treated as an excluded service other than a service permitted to be so treated in accordance with paragraph 13;
- (iii) no amount included in the revenues stated in respect of excluded services represents other than bona fide consideration for the provision of the excluded service to which it relates; and
- (iv) all amounts which should properly be taken into account for the purposes of the transmission and distribution charge restrictions conditions have been taken into account.

12.7. Where the Authority issues directions under paragraph 13.7, the Licensee shall, if so required by the Authority and within such period as the Authority shall specify, send to the Authority a revised statement in substitution for the Licensee's statement under paragraph 12.5 in respect of the relevant year in question and such revised statement shall give effect to such directions.

13. **Excluded services for purposes of Transmission and Distribution Business**

13.1. There may be treated as excluded services provided by the Transmission and Distribution Business such services in respect of which charges are made which:

- (a) do not fall within paragraph 13.2; and
- (b) may (subject to paragraph 13.7) be determined by the Licensee as falling under one of the principles set out in paragraphs 13.3 to 13.5.

13.2. No service provided as part of the Transmission and Distribution Business shall be treated as an excluded service insofar as it relates to the provision of services remunerated under use of system charges in accordance with Condition 32 including (without prejudice to the foregoing):

- (a) the transport of electricity;

- (b) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges) for the purpose of maintaining or upgrading the Licensee's transmission system and distribution system;
  - (c) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the Licensee to comply with Conditions 19, 26 and 27, the Electricity Supply Regulations (Northern Ireland) 1991 as amended by the Electricity Supply (Amendment) Regulations (Northern Ireland) 1993 or any regulations made under Article 32 of the Order or any other enactment relating to safety or standards applicable in respect of the Transmission and Distribution Business;
  - (f) the provision, installation and maintenance of any meters, switchgear or other electrical plant ancillary to the grant of use of system.
- 13.3. The whole or an appropriate proportion (as the case may be) of the charges of the type described in paragraph 3 of Condition 22 or paragraph 3 of Condition 32 and borne by any person as connection charges in respect of connections made after the grant of this Licence may be treated as excluded services.
- 13.4. There may be treated as an excluded service charges for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Article 12(2) of the Order) imposed on the Licensee.
- 13.5. There may be treated as an excluded service any service of a type not referred to above which:
- (a) consists in the provision of services for the specific benefit of a third party requesting the same; and
  - (b) is not made available as a normal part of the Transmission and Distribution Business remunerated by use of system charges, including (without prejudice to the foregoing):
    - (i) special metering (including "time of day" metering) to facilitate energy saving programmes for the benefit of customers requesting the same;
    - (ii) prepayment metering equipment;

- (iii) charges for moving mains, services or meters forming part of the Licensee's distribution system to accommodate extension, re-design or re-development of any premises on which the same are located or to which they are connected; and
  - (iv) the provision of electric lines and electrical plant (a) insofar as the same are required for the specific purpose of enabling the provision of top-up or standby or (b) to provide a higher degree of security than is required for the purposes of complying with Condition 19.
- 13.6. The Licensee shall following the end of each relevant year furnish to the Authority, as being one of the specified items to be included in the statement referred to in paragraph 12.5, details specifying separately the nature of all services provided as part of the Transmission and Distribution Business and treated as excluded services by the Licensee during the course of such year and stating the revenues derived in respect of each such service so treated.
- 13.7. Where the Authority is satisfied that it is reasonable in all the circumstances that any service treated by the Licensee as being or not being an excluded service should not be so treated, the Authority shall issue directions to that effect. Any such directions may, where a service is directed to be treated as an excluded service, contain such conditions as the Authority shall see fit in relation to the charges which the Licensee may make for such excluded service and the other terms and conditions upon which the Licensee may provide such excluded service. In accordance with the terms of such directions, such service shall cease to be treated as an excluded service with effect from the date of issue of such directions or such earlier date (being not earlier than the commencement of the relevant year to which the statement last furnished to the Authority pursuant to paragraph 12.5 prior to issue of such directions related, unless such statement or the accompanying report or certificate referred to in paragraph 12.6 or any earlier such statement, report or certificate was incorrect or misleading in any material respect) as may be specified in the directions.

#### **14. Allowances in respect of security costs**

- 14.1. At any time during a Fuel Security Event, the Authority may (having regard to its duties under the Energy Order) by means of directions:
  - (a) suspend or modify for the unexpired term of the Fuel Security Event the transmission and distribution charge restriction conditions or any part or parts thereof; or

- (b) introduce for the unexpired term of the Fuel Security Event new transmission and distribution charge restriction conditions,

in either case, so as to make such provision as in the opinion or estimation of the Authority is requisite or appropriate to enable the Licensee to recover by means of appropriate equitable increases in the charges made in the course of the Transmission and Distribution Business an amount estimated as being equal to the Licensee's allowed transmission and distribution related security costs during such event, and the Licensee shall comply with the terms of any directions so issued.

- 14.2. Subject to paragraphs 14.3 and 14.5, the Licensee shall in any relevant year be entitled to recover an aggregate amount equal to the Licensee's allowed transmission and distribution related security costs in that year or (insofar as not previously recovered) any previous year, by means of appropriate equitable increases in the charges made by the Licensee in the course of the Transmission and Distribution Business.

- 14.3. Paragraph 14.2 shall not apply insofar as such Licensee's allowed transmission and distribution related security costs:

- (a) were otherwise recovered by the Licensee; or
- (b) were taken into account by the Authority in setting charge restriction conditions by means of directions issued under paragraph 14.1.

- 14.4. The Licensee shall following the end of each relevant year provide to the Authority details in respect of that relevant year of:

- (a) the aggregate amounts charged under paragraph 14.2 on account of the Licensee's allowed transmission and distribution related security costs; and
- (b) the bases and calculations underlying the increases in charges made by the Licensee in the course of the Transmission and Distribution Business under paragraph 14.2.

- 14.5. Where the Authority is satisfied that the Licensee has recovered amounts in excess of the Licensee's allowed transmission and distribution related security costs, the Authority may issue directions requiring the Licensee to take such steps as may be specified to reimburse

customers of the Transmission and Distribution Business for the excess amounts charged to them, and the Licensee shall comply with any directions so issued.

14.6. No amounts charged by the Licensee under this paragraph 14 (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the transmission and distribution charge restriction provisions of paragraph 2.

14.7. In this paragraph 14:

**“Fuel Security Event”**

means a Fuel Security Event as defined in the Northern Ireland Fuel Security Code, published by the Department of Enterprise, Trade and Investment.

**“Licensee’s allowed transmission and distribution related security costs”**

means any cost incurred by the Transmission and Distribution Business and approved by the Authority as being an allowed security cost in accordance with the Northern Ireland Fuel Security Code (as that term is therein defined), but excluding any cost which forms part of:

(a) the allowed power procurement business related security costs; or

(b) the payments to generators in relation to services provided to the power procurement business during Fuel Security Events.

**15. Duration of the charge restriction conditions**

Duration

- 15.1. Subject to the following paragraphs of this Annex, the transmission and distribution charge restriction conditions shall apply so long as the Licence continues in force.
- 15.2. If the transmission and distribution charge restriction conditions continue to apply after the end of RP5, they shall apply such that, in substitution for the formula defining the maximum regulated distribution and transmission revenue (**RP5<sub>At</sub>**) at paragraph 2.2, the following formula shall instead have effect in respect of relevant year  $t = 2018$  and any subsequent relevant year:

$$\mathbf{RP5_{At} = RP5_{At-1} * (RPI_t / RPI_{2009})}$$

Disapplication

- 15.3. The transmission and distribution charge restriction conditions 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 15.4 and:
- (a) the Authority agrees in writing to the disapplication request; or
  - (b) their application (in whole or in part) is terminated by notice given by the Licensee in accordance with either paragraph 15.5 or paragraph 15.6.
- 15.4. A disapplication request pursuant to this paragraph 15.4 shall:
- (a) be in writing addressed to the Authority;
  - (b) specify the transmission and distribution charge restriction conditions (or any part or parts thereof) to which the request relates; and
  - (c) state the date (being not earlier than the date referred to in paragraph 15.3) from which the Licensee wishes the Authority to agree that the specified transmission and distribution charge restriction conditions shall cease to have effect.

- 15.5. Save where the Authority agrees otherwise, no disapplication following delivery of a disapplication request pursuant to paragraph 15.4 shall have effect earlier than the date which is the later of:
- (a) the date occurring 18 months after delivery of the disapplication request; and
  - (b) 30 September 2017.
- 15.6. If the Authority has not made a reference to the Competition Commission under Article 15 of the Order relating to the modification of the transmission and distribution charge restriction conditions 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 of the transmission and distribution charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.
- 15.7. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the transmission and distribution charge restriction conditions (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that the cessation of such transmission and distribution charge restriction 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 Article 16 of the Order deliver to it written notice terminating the application of such transmission and distribution charge restriction conditions (or any part or parts thereof) with effect from the disapplication date or a later date.
- 15.8. A disapplication request or notice served under paragraph 15.4 may be served in respect of a specified geographic area.