



Department for
Energy Security
& Net Zero

Carbon Capture, Usage and Storage

An update on the business model for
Transport and Storage -
explanatory note and indicative heads of
terms

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The details, as set out in this document, in whatever form they are expressed, are indicative only and do not constitute an offer by government and do not create a basis for any form of expectation or reliance. Parties are expected to get their own financial and legal advice. The business model referred to is not final and is subject to further development by the government, and approval by Ministers, in consultation with relevant regulators and the devolved administrations, as well as the development and Parliamentary approval of any necessary legislation, and completion of necessary contractual documentation. Government reserves the right to review and amend all provisions, for any reason and in particular to ensure that any proposals provide value for money (VfM) and are consistent with the current subsidy control regime.



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Contents

Update to the business model for Transport and Storage - indicative heads of terms and explanatory note	4
Overview	4
General	4
Key updates	4
Economic Regulatory Regime (ERR) Licence	5
Government Support Package	7
Revenue Support Agreement	10
Heads of terms	11
Annex A: Economic Regulatory Regime (ERR) Licence	11
Annex B: Government Support Package	140
Annex C: Revenue Support Agreement	230

Update to the business model for Transport and Storage - indicative heads of terms and explanatory note

This document, and Annexes A-C to it, set out our updated proposals for the business model for transport and storage (TRI model), including the Licence, Government Support Package and the Revenue Support Agreement. The latest heads of terms were published in June 2023¹.

Overview

General

The indicative heads of terms dated December 2023 (published as Annexes A-C to this document) set out the current proposals on the matters to be addressed as part of the CCUS TRI model.

They remain subject to ongoing development in conjunction with the development of all other relevant components of the CCUS programme, in particular the CCS Network Code.

Key updates

We set out below some key updates of note across the TRI model documentation, since the previous version of the indicative heads of terms were published in June 2023. This should be read in conjunction with Annexes A-C to this document, where the heads of terms are set out as follows:

- Annex A: Economic Regulatory Regime (ERR) Licence
- Annex B: Government Support Package
- Annex C: Revenue Support Agreement

¹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1164735/ccus-ts-business-model-update.pdf

Economic Regulatory Regime (ERR) Licence

There have been some key developments to the Licence since the previous publication in June 2023.

Key updates to the special conditions of the Licence include:

- refinement of the COD Readiness mechanism which links to T&SCo's right to receive Pre-operations Difference Payments under the RSA where there is an Event of First User Delay
- clarifications to the application of Delay WACC, in particular in circumstances where there is both a T&SCo delay and a delay not attributable to T&SCo
- introduction of a Force Majeure reopener to allow T&SCo to request relief
- introduction of a Relief Event mechanism to grant T&SCo relief by way of extension(s) of time to achieve the Scheduled Handover Date, Scheduled COD and/or the Longstop Date on specified grounds
- introduction of a mechanism for specified extension of time in conjunction with provision of a remedial plan, in circumstances where T&SCo may fail to achieve System Acceptance by the Longstop Date
- refinement of T&SCo's obligations to achieve specific levels of Availability (Availability Target and Availability Floor thresholds), and introduction of a relief mechanism that provides T&SCo relief from the consequences of failing to reach such thresholds on specific grounds
- refinement of the obligations on T&SCo to provide specified remediation plans where Availability falls below the required thresholds or corrective measures are required at a store, including cost recovery/sharing mechanisms where additional costs are required to remediate
- introduction of an obligation on T&SCo to procure independent audits of its storage capacity assumptions and/or potential new storage complexes

Updates to the standard conditions of the Licence include:

- clarifications around the interface between the Licence and the CCS Network Code
- updates with regards to the disposal of assets and restrictions on charges
- updates to provisions on financial ringfencing
- clarification and further parameters around a Qualifying Acquisition in the context of T&SCo's notification obligations
- the inclusion of a fit and proper person requirement
- the introduction of a mechanism for the future assessment of T&SCo for an investment grade issuer credit rating and, where appropriate, for T&SCo to obtain and maintain that credit rating

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- the introduction of obligations on T&SCo to abide by the Regulator's data best practice guidance
 - inclusion of a requirement on T&SCo to have two non-executive directors
 - development of a framework for both the onshore and offshore decommissioning obligations on T&SCo

Other updates to the Licence to note are:

- clarification around the process to reach key milestones e.g. Handover and System Acceptance/Commercial Operations Date
- refinement of cost assessment process and calculations, noting that work is ongoing in this area
- updates to the process around reopeners and refinement of the definition of Change in Scope to explicitly refer to expansions and/or cancellations of part of the Approved T&S Network

Further progress has also been made to the Schedules to the Licence, in particular, the template for the Approved Project Development Plan (APDP) has been developed.

Government Support Package

1. Supplemental Compensation Agreement

The key update to the SCA heads of terms is the further development of the insurance schedule following input from technical and insurance advisers – in particular the inclusion of the definition of Specified Significant Irregularities. The SCA continues to develop and remains subject to further refinement by technical and insurance advisers.

The term of the SCA has been updated to reflect that following an SoS discontinuation under the Discontinuation Agreement, there may be a need for the SCA during the decommissioning and post closure monitoring period unless and until the SoS institute a statutory transfer scheme.

In addition, we have clarified the following with regards to the SCA:

- the Unavailability test has been updated to clarify that commercial insurance will be considered Unavailable if it is not available in respect of the Project and comparable Licensable Activities (as defined in the Energy Bill) in the UK
- the Excess Loss test has been updated to clarify where SoS will meet amounts in excess of the applicable policy limits under commercial insurances
- inclusion of an obligation on T&SCo to procure that its commercial insurances in respect of the Insured Risks and Insured Losses contain a loss payee provision
- refinement of the process around Renewals, Market Testing and assurance
- provision that T&SCo may request a variation or amendment to the Insurance Schedule, which is subject to SoS consent.

It is also worth noting that work continues with regards to the methodology for calculation of the SCA Fee. Key principles are noted in the SCA heads of terms.

A lead insurer agreement has been included to address the interface between government and commercial insurers. The approach to these arrangements remain subject to development and insurance market feedback.

2. Discontinuation Agreement

There have been a number of updates to the Discontinuation Agreement around the triggers and process for discontinuation as follows:

- the process that SoS will follow in issuing a Discontinuation Notice and the updates that it will provide to T&SCo
- the thresholds for the SCA Discontinuation Threshold and the RSA Discontinuation Threshold have also been included, along with further detail on how the triggers will operate and increase where SoS elects not to discontinue despite the trigger being reached
- a second discontinuation right has also been included for where the SCA is continuing following an initial discontinuation.

It has been clarified that the Discontinuation Agreement will expire on the later to occur of the expiry of the SCA and the expiry of the RSA.

The key update to the Discontinuation Agreement is the inclusion of the Agreed Financing Principles and Approved Hedging Policy which is designed to determine DA Approved Hedging for the purposes of calculation of the Total Compensation Amount. The details of the Total Compensation Amount for where SoS elects to discontinue have been updated to align with these principles. Within the Total Compensation Amount, the position on decommissioning shortfall has also been clarified to provide that SoS will compensate for decommissioning shortfall where the RSA Discontinuation Threshold or the Unavailability test has been triggered.

Other updates to the Discontinuation Agreement include:

- the inclusion of a tax gross-up provision
- updates to the SoS right of set-off against equity compensation
- clarifications to the definition of Wilful Misconduct and Gross Negligence, which can result in the reduction or forfeiture of equity compensation
- updates to the timing and mechanics of the Total Compensation Amount
- inclusion of further detail on the Discontinuation Plan, including a template plan

3. Liaison Agreement

It has been clarified that the Liaison Agreement will continue until the expiry of the Discontinuation Agreement – it is intended to continue until the GSP is no longer in effect.

A key update to the Liaison Agreement is to the Variation mechanism. This gives SoS a consent right for Change in Scope that meet specified thresholds e.g. where there is an extension to the asset life of the Approved T&S Network that results in an extension of the period of application of Allowed Revenue.

Another key update is to the process around a Transfer Scheme instituted by SoS under the prospective Energy Bill (which remains subject to Royal Assent). Further detail is included around the basis of valuation for the Transfer Scheme, depending on whether T&SCo undertaking is transferred as a going concern or not.

Updates have also been made to:

- clarification and further parameters around a Qualifying Acquisition in the context of T&SCo's notification obligations
- the formative list of Conditions Precedent
- the process around the Remedy Event and Failure Event regime

Revenue Support Agreement

It is now indicated that the RSA will continue until expiry of the first to occur of a specified date, Discontinuation or revocation of the Licence. The intention is for the specified date to be defined by reference to the asset life of the Approved T&S Network (as at Licence Award) currently assumed to be no longer than 25 years from the Commercial Operations Date, noting HMG reserves its position in relation to RSA coverage of any future expansion.

The key updates to the RSA are to the process around the provision of evidence and calculation of the Difference Payments and reconciliation. RSA payments will be made monthly to T&SCo with a quarterly reconciliation and a reconciliation on expiry.

The support that will be provided prior to operations has also been clarified in the event that there is an Event of First User Delay.

Heads of terms

Annex A: Economic Regulatory Regime (ERR) Licence

CCUS: T&SCo Licence
Indicative Heads of Terms

Note: these indicative heads of terms are subject to the "Disclaimer" section at the front of the explanatory note document to which they are annexed.

INTRODUCTION

1.1 Background

- (a) The indicative heads of terms in Parts I to III (*Licence Heads of Terms*) of this document set out the basis for the provision of a licence (the "**Licence**"), expected to be granted by the Secretary of State or the economic regulator (the "**Regulator**") to a company licensed to provide transport and storage services ("**T&SCo**") under HM Government's ("**HMG**") CCUS programme (the "**Programme**").
- (b) The contents of the heads of terms in Parts I to III (*Licence Heads of Terms*) of this document are indicative only and do not constitute an offer by HMG or the Regulator and do not create a basis for any form of expectation or reliance. Any economic regulatory regime ("**ERR**") that is developed in the future will be subject to Parliamentary approval and any Licence that is developed in the future will be subject to approval by the Regulator and the development and completion of necessary documentation.
- (c) This introduction does not form part of the indicative heads of terms in Parts I to III (*Licence Heads of Terms*) of this document and is intended only to provide an overview of the rationale and assumptions for the terms and conditions of the Licence.

1.2 Rationale

- (a) An ERR is required to provide a framework for users of the transport and storage ("**T&S**") network to pay T&SCo fees which will be regulated by the Regulator, and to set an allowed revenue for T&SCo and minimum standard of service to be provided by T&SCo for the T&S users.
- (b) Under the ERR, there will be mechanisms for the allocation of certain risks between the T&S users and incentives on T&SCo to provide the T&S services.

1.3 Regulatory periods

- (a) The ERR will cover a number of regulatory periods over the term of the Licence. The first regulatory period will commence on the award of the Licence and conclude on the first 31 March to occur on or following the third anniversary of the Commercial Operations Date (the "**First Regulatory Period**"). This means that the First Regulatory Period will cover construction period activities, commissioning period activities as well as the initial operating period. The second regulatory period will commence after the conclusion of the First Regulatory Period and there will be subsequent regulatory periods at agreed intervals.
- (b) HMG will determine the ERR for the First Regulatory Period, with the Regulator having a more limited role than it will in the second and subsequent regulatory periods. The

Regulator will, however still have certain responsibilities during this First Regulatory Period and these are set out in more detail below.

1.4 **Regulator's duties and enforcement powers**

- (a) The Regulator's objectives for carrying out its functions will be set out in legislation. The relevant enabling legislation is currently progressing through Parliament¹. The final wording of the Regulator's objectives will be subject to the outcome of the Parliamentary approval process.
- (b) The Licence will be supplemented by guidance from the Regulator regarding key areas under the Licence where the Regulator is required to exercise a degree of discretion, including, in particular, the determination of the WACC in the second and subsequent regulatory periods. While it is intended that the guidance can be prepared in draft in advance of the award of the Licence, the guidance can only be issued in final form once the Regulator has been given its necessary powers, duties and functions under the relevant legislation and the Licence is in place.
- (c) The statutory framework, which will provide for the grant of the Licence, will give the Regulator the powers required to enforce the conditions of the Licence, following the approach in other regulated sectors.

1.5 **Description**

- (a) This document sets out high level indicative terms for each of the following areas covered by the terms and conditions of the Licence:
 - (i) introduction;
 - (ii) heads of terms for the licence:
 - (A) Part I: the Terms of the Licence;
 - (B) Part II: the Standard Conditions;
 - (C) Part III: the Special Conditions. These Special Conditions will, primarily, deal with the ERR – that is, the building blocks and mechanics for determining the Allowed Revenue of T&SCo. These will be amended for each individual T&SCo to incorporate the variables relevant to each individual T&SCo;
 - (D) Schedule 1: Specified Area;
 - (E) Schedule 2: Revocation;
 - (F) Schedule 3: Financial Settlement Schedule;
 - (G) Schedule 4: Technical Details Schedule;
 - (H) Schedule 5: Derogations;
 - (I) Schedule 6: Template Form of Approved Project Development Plan; and

¹ See the Energy Bill here: <https://bills.parliament.uk/bills/3311>

(J) Schedule 7: Qualifying Acquisition Information.

- (b) The scope of the conditions set out in the indicative heads of terms in Parts I to III (*Licence Heads of Terms*) of this document remains subject to review, in particular in the context of the development of the wider Programme.

1.6 **Initial assumptions**

- (a) This document is based on the following assumptions in respect of the T&S Network:
- (i) ownership of the T&S Network: the "onshore" (i.e. Onshore Transportation Systems) and "offshore" (i.e. Offshore Transportation and Storage Systems) elements of the T&S Network will be owned by T&SCo. In particular, T&SCo will hold any Crown Estate (including Crown Estate Scotland) lease and licence/permit issued by the NSTA (or licensing authority of a devolved administration);
 - (ii) development and operation of the T&S Network: T&SCo will be responsible for the development, construction, operation and maintenance of the T&S Network, including obtaining all necessary permits and approvals;
 - (iii) expansion of the T&S Network: in the future T&SCo may need to expand the T&S Network under the terms of the ERR and will provide access to new T&S users in accordance with the terms of its licence, the CCS Network Code and all relevant laws and regulations;
 - (iv) decommissioning: T&SCo will be responsible for the decommissioning and monitoring of:
 - (A) the Offshore Transportation and Storage System in accordance with the Petroleum Act 1998 as applied under the Energy Act 2008 (as may be amended or supplemented), and with regards to post-closure and monitoring obligations, T&SCo will be responsible as set out in its storage permit and licence granted by the NSTA; and
 - (B) the Onshore Transportation System in accordance with the relevant decommissioning conditions of any development/planning consent;
 - (v) T&S Charges: users of the T&S Network will pay T&SCo Charges for provision of T&S services which will be regulated under the ERR;
 - (vi) CO₂ ownership: title and risk in CO₂ delivered to the T&S Network will pass to T&SCo at the Delivery Point;
 - (vii) government support package ("**GSP**"): T&SCo will benefit from a GSP provided by HMG to cover certain high impact, but low probability, risks beyond those which are manageable by operation of the ERR and the RSA, which the investors and/or supply chain, including insurers, of T&SCo cannot take, or cannot price at an efficient level which is good value for money for UK taxpayers, consumers or Users; and
 - (viii) revenue support agreement ("**RSA**"): in the development of the revenue model for the T&S Network, HMG has identified that there may be certain demand-related revenue risks to T&SCo, where T&SCo's actual revenues may fall short of T&SCo's Allowed Revenue under the ERR. Such demand-related revenue risks will be addressed through a number of mitigation measures in the ERR and where the ERR is not sufficient, T&SCo will have access to the

RSA as a mechanism which will enable the recovery by T&SCo of its Allowed Revenue in the event of a shortfall.

1.7 **Defined terms**

Capitalised terms not otherwise defined in this introduction shall have the meaning given to them in Parts II and III (*Licence Heads of Terms*).

LICENCE HEADS OF TERMS

PART I: TERMS OF THE LICENCE

1. This licence, granted under section [7] of [*the Energy Bill*] (the "**Act**"), authorises [*the relevant T&SCo*], a company registered in England and Wales under company registration number [●] (the "**Licensee**") whose registered office is situated at [●], to participate in carrying out the activities set out in section 2(2) of the Act in the area specified in Schedule 1, during the period specified in paragraph 3 below, subject to:
 - (a) the standard conditions set out in Part II;
 - (b) the special conditions set out in Part III, (together the "**conditions**"); and
 - (c) such Schedules to the licence, if any, as may be referenced in the conditions or the terms of the licence.

2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, or the conditions.

3. This licence shall come into force on [●] and unless revoked in accordance with Schedule 2 or any conditions providing for revocation, shall continue until determined by not less than 25 years' notice in writing given by the economic regulator (the "**Regulator**") to the Licensee where such 25 years' notice cannot be served before the date on which the Licensee commences commercial operation of the T&S network.

Note: *the duration of the ERR will cover the construction, operational, closure, and post-closure (including decommissioning) phases of the T&S network. The licence shall come into force on the date of award of the licence and, unless revoked in accordance with certain limited revocation events, shall continue until terminated by a specified period of notice given by the Regulator to the Licensee.*

4. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to III of this licence and its Schedules shall be interpreted and construed in the same manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.

Note: *other more mechanical and interpretive provisions, such as provisions dealing with service of documents, may also be included here in due course.*

5. References in this licence to a provision of any enactment, where after the date of this licence:
 - (a) the enactment has been replaced or supplemented by another enactment; and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,

shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

PART II: STANDARD CONDITIONS

Section A: Interpretation, Application and Payments

1.	Definitions and interpretation	<p>In the standard conditions unless the context otherwise requires:</p> <p>"Act" means [<i>the Energy Bill 2022-23</i>];</p> <p>"Affiliate" means, in relation to the Licensee, any Parent Undertaking of the Licensee, any Subsidiary Undertaking of the Licensee, or any Subsidiary Undertaking of a Parent Undertaking of the Licensee;</p> <p>"Allowed Revenue" means the allowed revenue calculated, from time to time, in accordance with this licence;</p> <p>"Appropriate Proportion" means the proportion of the Regulator Costs attributable to the Licensee in accordance with the principles determined by the Regulator for the purposes of this condition generally (after consulting the Licensee and others likely to be affected by the application of those principles) and notified to the Licensee;</p> <p>"Approved Offshore Decommissioning Programme" means a decommissioning programme prepared in relation to the Offshore Transportation and Storage System under the Petroleum Act 1998 and the Energy Act 2008 (in each case as amended or supplemented) in the form approved by the Secretary of State, as may be amended from time to time with the Secretary of State's approval;</p> <p>"Approved Project Development Plan" or "APDP" means the project development plan as approved in the financial settlement and included in Schedule 6 to the licence;</p> <p>"Approved T&S Network" means the parts of the T&S Network comprised in Phase 1 and Phase 2, as described in [sections 3.1 and 3.2] of the APDP, as updated pursuant to any Change in Scope;</p> <p>"Associate" means:</p> <ul style="list-style-type: none"> (a) an Affiliate or Related Undertaking of the Licensee; (b) an Ultimate Controller of the Licensee; (c) a Participating Owner of the Licensee; or (d) a Common Control Company;
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		<p>"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for domestic business in the City of London;</p> <p>"Capex" means post-Licence Award capital expenditure costs incurred in respect of the T&S Network, which costs may relate to construction and/or commissioning-related activities;</p> <p>"Carbon Dioxide Storage Regulations" means regulations in respect of the storage of carbon dioxide under the Energy Act 2008;</p> <p>"CCS Licensee" means any holder of a licence issued under [section 7 of the Act];</p> <p>"CCS Network Code" has the meaning given to it in condition B6 (<i>CCS Network Code</i>);</p> <p>"Change in Scope" means following Licence Award a change to the scope of the Project set out in the APDP as a result of:</p> <ul style="list-style-type: none"> (a) the conclusion of On-going Devex in respect of works referenced in the APDP, such that settlement can be reached on expansion or enhancement of the Approved T&S Network in accordance with the APDP; (b) the introduction of a proposed new expansion for prospective new Users and/or expansion of an existing Storage Complex or an addition of a new Storage Complex, in each case (i) as envisaged in the APDP; or (ii) which requires an allocation of new On-going Devex; or (c) a cancellation of part of the Approved T&S Network, including a cancellation of a Phase 1 activity or Phase 2 activity and/or a Phase 3 activity; <p>"Charging Year" means a period of 12 months commencing on 1 April and ending on 31 March, save that:</p> <ul style="list-style-type: none"> (a) the first Charging Year will commence [on Licence Award] and end on the immediately following 31 March; and (b) the final Charging Year will commence on 1 April immediately preceding the last day of the term of this licence and end on that day; <p>"Code Agreement" means the agreement signed or acceded to by the Licensee, CCS Licensees and Users to make the CCS Network Code binding on them;</p>
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		<p>"Commercial Operations Date" or "COD" means the date when System Acceptance is achieved, as confirmed by the Regulator under condition G3.4(a);</p> <p>"Commissioning Activities" has the meaning given to it in the APDP;</p> <p>"Commissioning Period" has the meaning given to it in condition G1.1;</p> <p>"Common Control Company" means any company, any of whose Ultimate Controllers (applying the definition set out in this condition A1 but substituting that company for the Licensee) is also an Ultimate Controller of the Licensee;</p> <p>"Construction Period" has the meaning given to it in condition F1.1;</p> <p>"CPIH" means Consumer Prices Index, including owner occupiers' housing costs (series L522) published by the ONS;</p> <p>"CPIH Indexed" means that the relevant amount is subject to indexation by CPIH at the start of each Charging Year after Licence Award;</p> <p>"Data Best Practice Guidance" means the guidance document issued by the Regulator in accordance with conditions B23.4 to B23.8;</p> <p>"Delivery Point" means a point at the boundary between a User's facilities and the T&S Network, more particularly described in the User's connection agreement, at which a User transfers title in carbon dioxide to the Licensee;</p> <p>"Disposal" means:</p> <ul style="list-style-type: none"> (a) in relation to disposal of a T&S Asset situated in England and Wales, a transaction that includes any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge, or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition; (b) in relation to disposal of a T&S Asset situated in Scotland, a transaction that includes the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party, or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule
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		<p>of law of affecting the title to a registered interest in land;</p> <p>"Energy System Data" has the meaning given to that term in the Data Best Practice Guidance;</p> <p><i>Note: Ofgem's Data Best Practice Guidance currently refers to "Energy System Data". It is proposed that the guidance will be updated to make it clear that data relating to the T&S Network is included within the scope of Energy System Data.</i></p> <p>"First Regulatory Period" means the period from Licence Award until (and including) the first 31 March to occur on or following the third anniversary of the Commercial Operations Date;</p> <p>"Good Industry Practice" means in relation to any undertaking and any circumstances, the exercise of that degree of skill, care, diligence, prudence, foresight and operating practice which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same or similar type of undertaking as that of the Licensee under the same or similar circumstances;</p> <p>"Government Support Package" or "GSP" means the government support package;</p> <p>"Handover Works" has the meaning given to it in the APDP;</p> <p>"Investment Grade Issuer Credit Rating" means an investment grade issuer credit rating of the Licensee from S&P, Moody's, Fitch or DBRS Morningstar, requested by the Regulator in accordance with condition B17.3;</p> <p>"Investment Grade Issuer Credit Rating Guidance" means the guidance document issued by the Regulator as referred to in condition B17.4;</p> <p>"Legal Requirement" means:</p> <ul style="list-style-type: none"> (a) any licences, permits, approvals and consents issued by any body of competent jurisdiction (including, for the avoidance of doubt, the consents of any devolved administration) in relation to the construction, commissioning, operation or decommissioning (and post-decommissioning monitoring) of the T&S Network; and (b) any act of Parliament, subordinate legislation, ordinance, code, decision, directive, direction, requirement, order, decree, regulation, determination or published procedure, policy or
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		<p>guidance of any body of competent jurisdiction (including courts and tribunals) which is legally binding on the Licensee;</p> <p>"Licence Award" means the date on which this licence comes into force;</p> <p>"Licensee" is the licensee named in the terms of this licence;</p> <p>"Local Content" means:</p> <ul style="list-style-type: none"> (a) in respect of services, those services provided by a company carrying on business in the UK; and, (b) in respect of goods, those goods which are being made, changed or improved in the UK (using the same definition as goods eligible for a UK country of origin certificate); <p>"Most Restricted Communal Element" has the meaning given by reference to the following concepts:</p> <ul style="list-style-type: none"> (a) "Most Restricted", which means the part of the T&S Network (or part of the T&S Network) through which the lowest mass of carbon dioxide can instantaneously flow, determined by the lower of any physical, technical and/or regulatory limits; and (b) "Communal Element", which refers to any part of the T&S Network (or part of the T&S Network) that all Users' carbon dioxide must flow through, excluding any contingent infrastructure; <p>Note: the MRCE definition is under review to reflect the parallel nature of aspects of sections of the onshore and offshore networks, e.g multiple stores or multiple gathering pipelines.</p> <p>"North Sea Transition Deal" means the initiative agreed between the UK government and the oil and gas industry, as documented in the document of that name, dated March 2021, as may be updated or supplemented;</p> <p>"NSTA" means the North Sea Transition Authority, which is the trading name of the Oil and Gas Authority;</p> <p>"Obligated Network Capacity" means the total capacity available, determined by the Most Restricted Communal Element of the T&S Network measured in Megatonne (Mt) of CO₂ per day;</p>
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		<p>"Offshore Decommissioning Authority" means the Secretary of State, represented by the Offshore Petroleum Regulator for Environment and Decommissioning;</p> <p>"Offshore Decommissioning Fund" means a fund or multiple funds established under regulations made pursuant to Chapter 2 of Part 2 of the Act;</p> <p>"Offshore Decommissioning Fund Account" means the account held with [●] in the Licensee's name, with account number [●], for the purpose of holding the amounts standing to the credit of the Offshore Decommissioning Fund from time to time;</p> <p>"Offshore Decommissioning Fund Accrual Profile" means a straight line accrual profile;</p> <p>"Offshore Decommissioning Fund Contribution Amount" means the monthly contribution amount the Licensee is obliged to pay into the Offshore Decommissioning Fund Account in accordance with condition D3.7;</p> <p>"Offshore Decommissioning Fund Investment Strategy" has the meaning given to it in condition D3.3(b);</p> <p>"Offshore Decommissioning Requirements" means the Legal Requirements relating to:</p> <ul style="list-style-type: none"> (a) the decommissioning of offshore carbon capture and storage installations, pipelines and wells; (b) post-decommissioning monitoring; (c) obligations to pay a contribution for the post-licence termination monitoring and other costs of the government; and (d) obligations to pay post-closure financial security costs, <p>as set out in the Petroleum Act 1998, the Energy Act 2008, the Act, regulations made under the Act, the Storage of Carbon Dioxide (Termination of Licences) Regulations 2011, the Storage of Carbon Dioxide (Licensing etc) Regulations 2010, the Storage Licence, the Storage Permit and any guidance issued in relation to these statutory provisions;</p> <p><i>Note: definition of Offshore Decommissioning Requirements may be further developed.</i></p> <p>"Offshore Pipeline Infrastructure" means that part of the T&S Network which is offshore, including</p>
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		<p>the pipelines and related infrastructure from the pig trap at the Onshore Transportation System up to but not including the pig trap at the inlet to the Storage Complex (on the basis that such pig trap is part of the Storage Complex), but excluding the Storage Complex and including the Terminal;</p> <p>"Offshore Transportation and Storage System" means the Offshore Pipeline Infrastructure and any Storage Complex;</p> <p>"On-going Capex" means Capex incurred in respect of Phase 2 which is not SRAV Capex;</p> <p>"On-going Devex" means the development costs for front end engineering design (FEED) and other pre-FEED development spend which will be incurred in respect of the continued development and expansion of the T&S Network as set out in the APDP, which are incurred (i) post-Licence Award; and (ii) prior to the date of the final investment decision of the relevant expansion project;</p> <p>"Onshore Decommissioning Authority" means:</p> <ul style="list-style-type: none"> (a) the local planning authority; or (b) multiple local planning authorities, where the Onshore Transportation System is located in a geographical area that straddles more than one local planning authority area, <p>in charge of enforcing the Onshore Decommissioning Requirements that apply to the Onshore Transportation System;</p> <p>"Onshore Decommissioning Fund" means a fund or multiple funds established for providing security for the discharge of liabilities in respect of decommissioning costs (and costs of related activities) in relation to the Onshore Transportation System, established in accordance with condition C3;</p> <p>"Onshore Decommissioning Fund Account" means the account held with [●] in the Licensee's name, with account number [●], for the purpose of holding the amounts standing to the credit of the Onshore Decommissioning Fund from time to time;</p> <p>"Onshore Decommissioning Fund Accrual Profile" means a straight line accrual profile;</p> <p>"Onshore Decommissioning Fund Contribution Amount" means the monthly contribution amount the Licensee is obliged to pay into the Onshore Decommissioning Fund Account in accordance with condition C3.8;</p>
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		<p>"Onshore Decommissioning Fund Investment Strategy" has the meaning given to it in condition C3.3(b);</p> <p>"Onshore Decommissioning Plan" has the meaning given to it in condition C3.3;</p> <p>"Onshore Decommissioning Requirements" means the Legal Requirements that require onshore infrastructure to be decommissioned (and any activities related to decommissioning to be carried out), including but not limited to any requirements imposed or administered by the Onshore Decommissioning Authority;</p> <p>"Onshore Transportation System" means that part of the T&S Network which is located onshore, including the pipelines and related infrastructure from the User(s) boundary fence to the pipeline entry pig trap at the entry to the Terminal, but excluding any part of the T&S Network which constitutes the Offshore Transportation and Storage System;</p> <p><i>Note: the definitions of Onshore Transportation System, Offshore Transportation and Storage System, Offshore Pipeline Infrastructure and Terminal may require further adjustment.</i></p> <p>"Opex" means the operating, maintenance and management costs associated with the operation of the T&S Network;</p> <p>"Parent Undertaking" means a parent undertaking within the meaning of section 1162 of the Companies Act 2006;</p> <p>"Participating Interest" has the meaning given in section 421A of the Financial Services and Markets Act 2000;</p> <p>"Participating Owner" for the purposes of the definition of Associate, a person is subject to a Participating Interest by another person (a "Participating Owner") if:</p> <ul style="list-style-type: none"> (a) that other person holds a Participating Interest in the person; or (b) the person is subject to a Participating Interest by a person who is themselves subject to a Participating Interest by that other person; <p>"Periodic Review" means a periodic price control;</p>
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		<p>"Permitted Purpose" means the purpose of all or any of the following:</p> <ul style="list-style-type: none"> (a) the T&S Business or any other business or activity within the limits of conditions B11.4 and B11.6 in condition B11 (<i>Restriction on Activity and Financial Ring-fencing</i>); (b) without prejudice to the generality of paragraph (a), any payment or transaction lawfully made or undertaken by the Licensee for a purpose within purpose within paragraphs (b)(i) to (vii) of condition B19.1 (<i>Indebtedness</i>); <p>"Phase 1" means the Handover Works and Commissioning Activities to be carried out in the Construction Period and Commissioning Period respectively, with associated SRAV Capex relating to the Approved T&S Network included in the APDP, as further described in [section 3.1] of the APDP;</p> <p>"Phase 2" means post-Commercial Operations Date activities with associated On-going Capex relating to the Approved T&S Network included in the APDP, as further described in [section 3.2] of the APDP;</p> <p>"Project" means the financing, design, construction, commissioning, acceptance, operation, maintenance, decommissioning, post-closure monitoring and ownership of the T&S Network;</p> <p>"RAV" means the regulatory asset value;</p> <p>"Receivable" means a contractual right to receive any sum or sums or any other financial asset from another person;</p> <p>"Regulator" means the Gas and Electricity Markets Authority in its role as the economic regulator under Part 1 of the Act;</p> <p>"Regulator Costs" has the meaning given to it in condition A2.3;</p> <p>"Related Undertaking" in relation to the Licensee, means any undertaking in which the Licensee has a participating interest within the meaning of section 421A of the Financial Services and Markets Act 2000;</p> <p>"Relevant Objectives" means:</p> <ul style="list-style-type: none"> (a) the safe, economic, efficient and effective operation of the T&S Network to which the licence relates (including the coordinated, safe, efficient and economic operation of the T&S
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		<p>networks of one or more other CCS Licensees where relevant); and</p> <p>(b) the economic, efficient and effective discharge of the Licensee's obligations under the licence;</p> <p>"Relinquishment of Operational Control" includes entering into any agreement or arrangement under which decisions relating to the operational management and control of the asset are not (or cease to be) at the sole direction of the licensee, and "relinquish" and any related expressions in this context are to be read accordingly;</p> <p>"RES/RAS Process Guidance" means the guidance document issued by the Regulator as referred to in condition B17.4;</p> <p>"RES/RAS Process" means either a "Rating Evaluation Service" conducted by S&P, a "Rating Assessment Service" conducted by Moody's or Fitch, or an equivalent credit rating assessment conducted by DBRS Morningstar to give an assessment of the potential credit rating of the Licensee;</p> <p>"Revenue Calculations" means the applicable values and calculations of the SRAV, RAV and/or Allowed Revenue (as applicable) as set out or referred to in these special conditions;</p> <p>"Secretary of State" or "SoS" means the Secretary of State for the Department for Energy Security and Net Zero;</p> <p>"Significant Code Review" means a review of one or more matters which:</p> <p>(a) relate to the CCS Network Code; and</p> <p>(b) the Regulator considers likely to be of particular significance in relation to the Regulator's principal objectives and/or general duties (under section 1 of the Act),</p> <p>concerning which the Regulator has issued a notice to the CCS Network Code parties stating that the review will constitute a Significant Code Review, the start date of the Significant Code Review, and the matters that will fall within the scope of the review;</p> <p>"Significant Managerial Responsibility or Influence" means where a person plays a role in:</p> <p>(a) the making of decisions about how the whole or a substantial part of a Licensee's activities are to be managed or organised, or</p>
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		<p>(b) the actual managing or organising of the whole or a substantial part of those activities;</p> <p>"SRAV" means a shadow regulatory asset value, including the shadow regulatory asset value referenced in condition F4.1 and any additional shadow regulatory asset value set up pursuant to condition H7 (<i>Transferred SRAV and Additional SRAV(s)</i>);</p> <p>"SRAV Capex" means Capex which is attributable to an SRAV;</p> <p>Note: <i>this includes Capex in respect of the Handover Works and Commissioning Activities and Capex assessed as part of a Change in Scope for inclusion on an additional SRAV.</i></p> <p>"Storage Complex" has the meaning given to it in the Carbon Dioxide Storage Regulations;</p> <p>Note: <i>checks being run on definition in context of use.</i></p> <p>"Storage Licence" means the licence held by the Licensee in relation to the Storage Complex under the Carbon Dioxide Storage Regulations;</p> <p>"Storage Permit" means the storage permit held by the Licensee in relation to the Storage Complex in accordance with the Energy Act 2008;</p> <p>"Subsidiary Undertaking" means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006;</p> <p>"Supplemental Compensation Agreement" means the supplemental compensation agreement;</p> <p>"System Acceptance" means confirmation by the Regulator that the Commissioning Activities have been completed;</p> <p>"System Operation" means those activities and functions of the Licensee which relate to the operation of the T&S Network, being the allocation of capacity to Users, the management and system planning of that capacity, and constraint management;</p> <p>"T&S Assets" means all the infrastructure and equipment that makes up the T&S Network;</p> <p>"T&S Business" means the development and operation of a network for the transportation and storage of carbon dioxide, including compliance with the Licensee's obligations under the licence;</p>
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		<p>"T&S Network" means the Licensee's Onshore Transportation System and Offshore Transportation and Storage System, and includes any part of them;</p> <p>"T&SCo of Last Resort Direction" means a direction issued by the Regulator pursuant to condition B21.2;</p> <p>"Terminal" means the onshore terminal facility and all ancillaries between the pig trap at the Onshore Transportation System and the pipeline pig trap at the Offshore Pipeline Infrastructure, which is deemed to form part of the Offshore Transportation and Storage System and not form part of the Onshore Transportation System;</p> <p>"Transfer Scheme" means a transfer scheme instituted by the Secretary of State in respect of the T&S Network under section [50] of the Act;</p> <p>"UK ETS" means the UK Emissions Trading Scheme established under the Greenhouse Gas Emissions Trading Scheme Order 2020 (as amended or supplemented by other legislation) and any guidance issued in relation to it;</p> <p>"Ultimate Controller" means:</p> <ul style="list-style-type: none"> (a) a Parent Undertaking of the Licensee which is not itself a Subsidiary Undertaking of another company; and (b) any person who (whether alone or with a person or persons connected with them) is in a position to control, or to exercise significant influence over, the policy of the Licensee or any Parent Undertaking of the Licensee by virtue of: <ul style="list-style-type: none"> (i) rights under contractual arrangements to which they are a party or of which they are a beneficiary; or (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by them or of which they are a beneficiary, <p>but excluding any director or employee of a corporate body in their capacity as such; and</p> <p>for the purposes of sub-paragraph (b), a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph;</p> <p>"Urgent Modification Proposal" means a proposal for a modification to the CCS Network Code which the</p>
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		<p>Regulator agrees or considers is urgent because it deals with an urgent issue relating to the safe and/or efficient operation of the T&S Network;</p> <p>"User" means a person other than the Licensee or any other holder of a licence issued under [section 7 of the Act] who is for the time being bound by the CCS Network Code;</p> <p>"User Arrangements" means arrangements between the Licensee and Users/ future Users for use of the T&S Network, including arrangements for the connection of Users' / future Users' facilities to the T&S Network, and the delivery of carbon dioxide by Users at a Delivery Point; and</p> <p>"WACC" means weighted average cost of capital.</p> <p>Unless the context otherwise requires, "carbon dioxide" (or "CO₂") means a stream consisting primarily of carbon dioxide molecules and references to carbon dioxide being delivered by a User to the T&S Network assume that the stream being delivered is carbon dioxide.</p> <p>Any direction, consent, derogation, determination, approval, designation, decision, or other instrument given or made by the Regulator under this licence will be given or made in writing.</p> <p><i>Note: the general interpretation provisions will be expanded in the full-form licence conditions.</i></p>
2.	Payments by the Licensee to the Regulator	<p>2.1 The Licensee shall pay to the Regulator such amounts as are determined by or under this condition.</p> <p>2.2 In respect of each Charging Year at the beginning of which the Licensee holds this licence, the Licensee shall pay to the Regulator an amount which is the Appropriate Proportion of the Regulator Costs during the year in question.</p> <p><i>Note: as contemplated by this condition, the Regulator will develop principles for the equitable apportionment of its costs.</i></p> <p>2.3 "Regulator Costs" are the costs:</p> <p>(a) estimated by the Regulator as likely to be or which have been the costs of the Regulator in performing its functions under the Act as the economic regulator for transport and storage networks (and excluding any costs of the Regulator associated with the</p>

Part II: Standard Conditions
Section A: Interpretation, Application and Payments

		<p>performance by the Regulator of any of its other functions); and</p> <p>(b) calculated in accordance with the principles determined by the Regulator for the purpose of this condition generally (after consulting the Licensee and others likely to be affected by the application of such principles) and notified to the Licensee.</p>
3.	T&S Network Area	<p>3.1 This licence is granted for the "[<i>name of the relevant T&S Network to be inserted</i>]" within the Specified Area (stated in Schedule 1 (<i>Specified Area</i>) of this licence) and more particularly defined in condition A3.2.</p> <p>3.2 In this condition, "[<i>name of the relevant T&S Network to be inserted</i>]" means the T&S Network to be built, operated and maintained by the Licensee of which are:</p> <p>(a) the geographical location of the Onshore Transportation System is identified in Annex A to section A, as expanded or varied in accordance with the terms of this licence; and</p> <p>(b) the assets of the Offshore Transportation and Storage System are identified in Annex A to section A, as expanded or varied in accordance with the terms of this licence.</p>

Annex A to section A

1. Geographical location of the Onshore Transportation System

[General description of geographical location to be inserted] as shown on the map in Exhibit A.

2. Assets of the Offshore Transportation and Storage System

[The assets being:

- (a) the Offshore Pipeline Infrastructure, the approximate route of which is shown on the map in Exhibit B, and which is subject to [Crown Estate/Crown Estate Scotland lease [●]]; and
- (b) the Storage Complex, being *[insert description]* as shown on the map in Exhibit B, and which is subject to carbon dioxide appraisal and storage lease number [●] and subject to [Crown Estate/Crown Estate Scotland lease [●]].]

Section B: General

1.	Conduct of T&S Business	<p>1.1 The Licensee shall conduct its T&S Business in the manner best calculated to secure that neither:</p> <p>(a) the Licensee or any Affiliate or Related Undertaking or Ultimate Controller of the Licensee, nor</p> <p>(b) any User or future User,</p> <p>obtains any unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the Licensee, one in connection with a business other than the T&S Business.</p>
2.	Requirement to enter into User Arrangements in conformity with CCS Network Code	<p>2.1 Unless otherwise agreed by the Regulator, the Licensee shall only enter into User Arrangements which are in conformity with any relevant provisions of the CCS Network Code.</p> <p>Note: <i>as the CCS Network Code will include template Connection Agreements and Construction Agreements, this condition will also capture the requirement for those contracts to be on standard terms.</i></p> <p>2.2 The Licensee shall comply with any obligation in the CCS Network Code to disclose information relating to the operation of the T&S Network to which this licence relates.</p>
3.	Access to T&S Network	<p>3.1 The Licensee must offer access to its T&S Network in accordance with the CCS Network Code and any relevant law or regulation.</p> <p>3.2 The Licensee must make available to Users capacity in the T&S Network based on the Obligated Network Capacity as set out in condition B3.3.</p> <p>3.3 The level of Obligated Network Capacity that the Licensee must make available and the timetable for testing the Obligated Network Capacity is set out in [section 3.4] of the APDP, unless revised in accordance with the conditions of this licence.</p> <p>Note: <i>the Obligated Network Capacity will be set out in [section 3.4] of the APDP.</i></p>
4.	System development obligations	<p>4.1 The Licensee must develop, maintain and operate the T&S Network in an economic, efficient, effective and co-ordinated manner, having regard to, among other things:</p> <p>(a) the duty to offer access in accordance with condition B3 (<i>Access to the T&S Network</i>);</p>

		<p>(b) the Licensee's obligations under the CCS Network Code; and</p> <p>(c) the Licensee's obligations and commitments under the Approved Project Development Plan.</p> <p>Note: <i>further consideration is being given to any other specific obligations that the Licensee may have in respect of the development, maintenance and operation of the T&S Network.</i></p>
5.	System Development Statement	<p>5.1 On an annual basis, by the start of each Charging Year, the Licensee shall prepare and publish a System Development Statement which sets out a forward-looking summary of the development activities that the Licensee is or will be carrying out in discharging its obligations under condition B4 (<i>System development obligations</i>).</p> <p>5.2 The System Development Statement shall also include information about the Licensee's decommissioning obligations, and proposals for the discharge of those obligations, in relation to the Onshore Transportation System and the Offshore Transportation and Storage System, as the case may be.</p> <p>Note: <i>the System Development Statement will be a publicly available document and it is intended that it will be similar in nature to the documents published in relation to the gas and electricity networks, such as National Grid's Electricity Ten Year Statement (ETYS) and National Grid's Network Options Assessment (NOA). However, given the smaller scale and emerging nature of T&S networks, it is expected that the System Development Statement will be significantly narrower in scope than the ETYS and NOA combined. It is also expected that in preparing the System Development Statement, the Licensee will have regard to any CCUS strategy and policy statement published by the Secretary of State pursuant to the Act.</i></p>
6.	CCS Network Code	<p>6.1 The CCS Network Code is the document which:</p> <p>(a) sets out terms that apply to the use of the T&S network of every CCS Licensee (unless otherwise provided in the CCS Network Code); and</p> <p>(b) is designed to facilitate the achievement of the Relevant Objectives.</p> <p>6.2 The Licensee shall:</p> <p>(a) become legally bound by the provisions of the CCS Network Code by signing or acceding to the Code Agreement;</p> <p>(b) together with other CCS Licensees:</p>

		<ul style="list-style-type: none"> (i) administer the CCS Network Code in accordance with the Relevant Objectives; (ii) maintain and operate procedures for the modification of the CCS Network Code so as to better facilitate the achievement of the Relevant Objectives; and (iii) establish, develop and operate (or otherwise procure the operation of (including without limitation on a sub-contracted basis)) arrangements for the administration of the CCS Network Code (including its governance and modification), as well as the maintenance of a portal or website for the publication of the CCS Network Code and any information required to be published or otherwise disseminated pursuant to the provisions of the CCS Network Code; and <p>Note: <i>it is envisaged that the costs of administration of the CCS Network Code will be shared between the CCS Licensees. The details of this will be further considered at a later stage.</i></p> <p>6.3 The procedures for the modification of the CCS Network Code shall include provision for the expedited consideration of Urgent Modification Proposals, including a power for the Regulator to make Urgent Modification Proposals.</p> <p>6.4 In addition to providing for the expedited consideration of Urgent Modification Proposals, the CCS Network Code shall also include operational procedures (such as notices requiring Users to do something or refrain from doing something) for dealing with any urgent issues that may adversely impact the safe and/or efficient operation of the T&S Network.</p> <p>6.5 The CCS Network Code modification procedures shall provide that:</p> <ul style="list-style-type: none"> (a) proposals for the modification of the CCS Network Code may be made by the Regulator in respect of a Significant Code Review or by another party to the CCS Network Code that is a CCS Licensee pursuant to a direction of the Regulator which is made further to a Significant Code Review; (b) proposals for the modification of the CCS Network Code falling within the scope of a Significant Code Review may not be made while the Regulator is undertaking the Significant Code Review except:
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		<p>(i) where the Regulator determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or</p> <p>(ii) at the direction of, or by, the Regulator; and</p> <p>(c) having completed a Significant Code Review, the Regulator may require the Licensee to comply with a direction of the Regulator to make a modification to the CCS Network Code which, in the opinion of the Regulator, will, as compared to the existing provisions of the CCS Network Code, better facilitate the achievement of the Relevant Objectives.</p> <p>Note: the conditions relating to the Significant Code Review process, which is to be set out in the CCS Network Code, will be further developed in tandem with the development of the relevant provisions in the CCS Network Code.</p>
7.	Regulatory Accounts	<p>7.1 The Licensee must prepare regulatory accounts for each Charging Year, for each of the following activities of the Licensee (where the Licensee is conducting that activity):</p> <p>(a) the Onshore Transportation System;</p> <p>(b) the Offshore Pipeline Infrastructure;</p> <p>(c) any Storage Complex;</p> <p>(d) System Operation;</p> <p>(e) other activities to which this licence relates and to which the Regulator has given its consent in accordance with condition B11 (<i>Restriction on activity and financial ring-fencing</i>); and</p> <p>(f) the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within sub-paragraphs (a) to (e), where applicable.</p> <p>Note: the full-form drafting of this licence condition will be consistent with Ofgem's updated approach, as reflected in the Electricity Distribution standard licence conditions.</p> <p>7.2 Except and so far as the Regulator otherwise consents, the regulatory accounts should be prepared in accordance with the requirements of this condition B7 (<i>Regulatory Accounts</i>).</p>

		<p>7.3 Unless the Regulator otherwise directs, after consulting the Licensee, the Licensee shall publish its regulatory accounts with the exception of any part of such regulatory accounts agreed by the Regulator in writing to be confidential.</p> <p>7.4 Unless the Regulator otherwise consents, the Licensee shall:</p> <ul style="list-style-type: none"> (a) procure, in relation to its regulatory accounts an audit by an appropriate auditor and a report by that auditor, addressed to the Regulator, stating whether in the auditor's opinion those accounts fairly present the financial position, financial performance and cash flows of or reasonably attributable to the different parts of the Licensee's business in accordance with the requirements of this condition; and (b) deliver to the Regulator those accounts and the auditor's reports as soon as is reasonably practicable, and in any event prior to their publication and not later than 31 July following the end of the Charging Year to which the regulatory accounts relate.
8.	Disposal of assets and restrictions on charges	<p>8.1 The Licensee must not, except with the consent of the Regulator:</p> <ul style="list-style-type: none"> (a) take any action that is or would be a Disposal of, or Relinquishment of Operational Control over, any T&S Asset (in whole or in part); (b) grant any mortgage, charge, or other form of security over any Receivables, contractual rights and/or any T&S Asset. <p>8.2 Where the Licensee is:</p> <ul style="list-style-type: none"> (a) seeking the Regulator's consent to an action otherwise prohibited under condition B8.1; or (b) intending to proceed with an action that would be prohibited under condition B8.1 except that it falls within the exception set out in condition B8.3(a), <p>the Licensee shall give the Regulator not less than two months' prior written notice of its intention to take that action, together with such further information as the Regulator may request relating to such action (including details of the relevant Legal Requirement, where the Licensee is seeking to rely on the exception in condition 8.3(a)).</p> <p>8.3 Notwithstanding condition B8.1 above, the Licensee may:</p>

		<ul style="list-style-type: none"> (a) take any action referred to in condition B8.1(a) or B8.1(b) without the consent of the Regulator if any Legal Requirement requires it to do so; (b) take any action referred to in condition B8.1(a) without the consent of the Regulator if: <ul style="list-style-type: none"> (i) the Regulator has issued directions for the purposes of this condition B8 (<i>Disposal of assets and restrictions on charges</i>) generally containing a general consent (whether or not subject to conditions) to (A) transactions of a specified description; or (B) the Disposal of, or Relinquishment of Operational Control over, a T&S Asset of a specified description; and (ii) the transaction or the T&S Asset subject to the proposed Disposal or Relinquishment of Operational Control are of a description to which such directions apply and the Disposal or Relinquishment of Operational Control is in accordance with any conditions to which such directions are subject; (c) take any action referred to in condition B8.1(b) above where: <ul style="list-style-type: none"> (i) the indebtedness of the Licensee which is secured represents the novation or rollover of existing indebtedness; and (ii) the proceeds of the indebtedness of the Licensee which is secured are used to fully repay the existing indebtedness referred to in condition B8.3(b)(i).
	8.4	If the relevant T&S Asset that is subject to a proposed Disposal or Relinquishment of Operational Control comprises a significant part of the T&S Network, notwithstanding that the Disposal or Relinquishment of Operational Control is permitted under condition B8.3(a) or B8.3(b), the Licensee shall notify the Regulator at least 60 days in advance of the proposed Disposal or Relinquishment of Operational Control over the T&S Asset; and if the Regulator directs the Licensee within 30 days of such notification, not to proceed with the Disposal or Relinquishment of Operational Control over the T&S Asset, the Licensee shall comply with such direction.
	8.5	For the purposes of condition B8.4, "a significant part of the T&S Network" means such that, if a Disposal or Relinquishment of Operational Control of that part proceeded, then this would reduce the capacity available to existing and future Users and/or cause constraints in the T&S Network.

		<p>Note: this condition will be reviewed in the context of any proposed financing structures.</p> <p>8.6 The restriction in condition B8.1 shall not apply to:</p> <ul style="list-style-type: none"> (a) Disposals at arm's length and on normal commercial terms of surplus or obsolete assets which are replaced by items of equivalent or better quality in accordance with the Licensee's usual maintenance programme; or (b) Disposal of any asset having a market value which, when aggregated with the market value of all other assets disposed of by it under this condition in any Charging Year, does not exceed £50,000 (CPIH Indexed), provided that any such disposal (either alone or when aggregated with any related disposal) does not result in a material adverse effect on the T&S Network.
9.	Provision of information to the Regulator	<p>9.1 Subject to condition B9.5, the Licensee shall, in addition to any requirements under the Act, furnish to the Regulator, in such manner and at such times as the Regulator may require, such information and shall procure and furnish to it such reports, as the Regulator may require or as may be necessary for the purpose of performing:</p> <ul style="list-style-type: none"> (a) any functions transferred to or conferred on it by or under the Act; and (b) the regulatory functions conferred on the Regulator by other statute or enactment. <p>9.2 The Licensee shall procure from each company or other person which the Licensee knows or reasonably should know is at any time an Ultimate Controller of the Licensee a legally enforceable undertaking in favour of the Licensee in a form specified by the Regulator that the Ultimate Controller (the "information covenantor") will give to the Licensee, and will procure that any person (including, without limitation, a corporate body) which is a Subsidiary Undertaking of, or is controlled by, the information covenantor (other than the Licensee and the Licensee's subsidiaries) will give to the Licensee, all such information as may be necessary to enable the Licensee to comply fully with the obligation imposed on it in condition B9.1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an Ultimate Controller of the Licensee and shall remain in force for so long as the Licensee remains the holder of this licence and the information covenantor remains an Ultimate Controller of the Licensee.</p> <p>9.3 The Licensee shall deliver to the Regulator evidence (including a copy of such undertaking) that the Licensee</p>

		<p>has complied with the obligation to procure undertakings pursuant to condition B9.2 above, and shall comply with any direction from the Regulator to enforce any undertaking so procured.</p> <p>9.4 The Licensee shall not enter into any agreement or arrangement with any Ultimate Controller of the Licensee where the Ultimate Controller is a corporate body or any of the subsidiaries of such a corporate Ultimate Controller (other than the subsidiaries of the Licensee) at a time when:</p> <ul style="list-style-type: none"> (a) an undertaking complying with condition B9.2 above is not in place in relation to that Ultimate Controller; (b) there is an unremedied breach of such undertaking; or (c) the Licensee is in breach of the terms of any direction issued by the Regulator under condition B9.3. <p>9.5 This condition B9 (<i>Provision of information to the Regulator</i>) shall not require the Licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.</p> <p>9.6 The power of the Regulator to call for information under this condition B9 (<i>Provision of information to the Regulator</i>) is in addition to the power of the Regulator to call for information under or pursuant to any other condition and under any statutory powers. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted if the Regulator states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.</p> <p>Note: <i>specific areas of information provision (e.g. in relation to the results of On-going Devex) remain under consideration.</i></p>
10.	Prohibition of cross-subsidies	<p>10.1 The Licensee shall procure that the T&S Business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the Licensee or of an Affiliate, Related Undertaking or Ultimate Controller of the Licensee.</p> <p>10.2 The Licensee may apply to the Regulator to disapply condition B10.1.</p>

11.	Restriction on activity and financial ring-fencing	<p>11.1 The Licensee shall not, without the prior written consent of the Regulator, conduct any business or carry on any activity other than the T&S Business.</p> <p>11.2 The Licensee shall not, without the prior written consent of the Regulator, hold or acquire shares or other investments of any kind except:</p> <ul style="list-style-type: none"> (a) shares or other investments in a body corporate the sole activity of which is to carry on the activities of the T&S Business; (b) shares or other investments in a body corporate which is a Subsidiary Undertaking of the Licensee and incorporated by it solely for the purpose of raising finance for the T&S Business; or (c) investments acquired in the usual and ordinary course of the Licensee's treasury management operations, subject to the Licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom. <p>11.3 Subject to the provisions of condition B11.2, nothing in this condition shall prevent:</p> <ul style="list-style-type: none"> (a) any Affiliate in which the Licensee does not hold shares or other investments from conducting any business or carrying on any activity; (b) the Licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence; (c) the Licensee from performing the supervisory or management functions of a Parent Undertaking in respect of any Subsidiary Undertaking; or (d) the Licensee from carrying on any business or conducting any activity to which the Regulator has given its consent. <p>11.4 Nothing in this condition shall prevent the Licensee or an Affiliate or Related Undertaking of the Licensee in which the Licensee holds shares or other investments (a "relevant associate") from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with.</p>
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		<p>(a) For the purpose of this paragraph, "de minimis business" means any business or activity carried on by the Licensee or a relevant associate or relevant associates other than: (i) the T&S Business; and (ii) any other business activity to which the Regulator has given its consent in writing in accordance with condition B11.3(d).</p> <p>(b) The Licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:</p> <p>(i) the aggregate turnover of all the de minimis business carried on by the Licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of 12 months commencing on 1 April of any Charging Year exceed 2.5 per cent of the aggregate turnover of the Licensee as shown by its most recent audited historical cost accounting statements; and</p> <p>(ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the Licensee in de minimis business, carried on by the Licensee and all relevant associates, does not at any time after the date at which this condition takes effect in this licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the Licensee as shown by its most recent audited historical cost accounting statements.</p> <p>(c) For the purpose of sub-paragraph (b) above, "investment" means any form of financial support or assistance given by or on behalf of the Licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.</p> <p>(d) At any relevant time, the amount of an investment shall be the sum of:</p> <p>(i) the value at which such investment was included in the audited historical cost balance sheet of the Licensee as at its latest accounting reference date to have occurred prior to the date on which this condition came into effect (or, where the investment was not so included, zero);</p>
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		<p>(ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the Licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and</p> <p>(iii) all commitments and liabilities (whether actual or contingent) of the Licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,</p> <p>less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the Licensee in respect of such investment in all completed accounting reference periods since the accounting reference date referred to in subparagraph (d)(i).</p> <p>11.5 For the purpose of condition B11.4, "equity share", in relation to any shareholding, means the nominal value of the equity shares held by the Licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.</p> <p>11.6 Nothing in this condition shall prevent the Licensee from investing any Onshore Decommissioning Funds and any Offshore Decommissioning Funds in accordance with the conditions of this licence.</p>
12.	Business separation	<p>12.1 Without prejudice to the Licensee's other obligations under this licence, and unless otherwise consented to by the Regulator, the Licensee must at all times conduct the T&S Business separately to any other businesses carried out by any Affiliates of the Licensee.</p> <p>12.2 Without prejudice to the generality of condition B12.1, in order to comply with that paragraph the Licensee must in particular ensure that at a minimum:</p> <p>(a) any businesses other than the T&S Business are conducted entirely by corporate entities which are legally separate from that of the Licensee;</p> <p>(b) the Licensee's accounts are maintained, and to the extent required by law audited and reported on, separately from those of any corporate entity which conducts any business other than the T&S Business;</p> <p>(c) persons engaged in, or in respect of, the management or operation of the Licensee (up to and including the members of the senior management team reporting to the Licensee's</p>

		<p>board of directors) are not simultaneously engaged either full or part time in respect of any business other than the T&S Business or any corporate entity which conducts any business other than the T&S Business without the prior consent of the Regulator;</p> <p>(d) arrangements are in place which are effective in restricting access by persons engaged in or in respect of the management or operation of any business other than the T&S Business to any part of any premises which is occupied by persons engaged in, or in respect of, the management and operation of the T&S Business, unless with the prior consent of the Regulator; and</p> <p>(e) the systems for the recording, processing or storage of information and data used by persons engaged in or in respect of, the management or operation of the T&S Business cannot be accessed by persons engaged in, or engaged in respect of, the management or operation of any business other than the T&S Business.</p> <p>12.3 The Licensee shall ensure, following consultation with the Regulator, that a compliance officer is appointed for the purpose of facilitating compliance by the Licensee with the business separation duties pursuant to this condition.</p> <p>12.4 The duties and tasks of the compliance officer shall include:</p> <p>(a) providing advice and information to the Licensee (including directors of the Licensee) and for the purpose of ensuring the Licensee's compliance with the specified business separation duties;</p> <p>(b) monitoring the effectiveness of the practices, procedures and systems adopted by the Licensee to ensure its compliance with the specified business separation duties; and</p> <p>(c) providing information about compliance with the duties for the purpose of the compliance statement to be prepared by the Licensee under condition B12.5.</p> <p>12.5 The Licensee shall, within [90 days] of Licence Award and after that no later than every 12 months, provide to the Regulator a report setting out details of the activities of the compliance officer during the relevant period covered by the compliance report, as well as the procedures in place to ensure that the Licensee is complying with this condition.</p> <p>12.6 The compliance report referred to in condition B12.5 shall be accompanied by a compliance certificate, in a</p>
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		form approved by the Regulator, certifying the accuracy of the compliance report, and which has been approved by a resolution of the Licensee's board of directors and signed by a director of the Licensee.
13.	Availability of resources	<p>13.1 The Licensee shall at all times act in a manner calculated to secure that it has available to itself such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with such rights, as shall ensure that it is at all times able:</p> <ul style="list-style-type: none"> (a) to properly, economically, efficiently and effectively carry on the T&S Business; and (b) to comply in all respects with its obligations under this licence, such obligations under the [the Act] as apply to those activities authorised by this licence and the CCS Network Code. <p>13.2 The Licensee must by 31 July each year give the Regulator a certificate that has been approved by a resolution of the Licensee's board of directors and signed by a director of the Licensee pursuant to that resolution, stating that:</p> <ul style="list-style-type: none"> (a) after making enquiries and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the Licensee, the Licensee's directors have a reasonable expectation that the Licensee will have sufficient financial resources and financial facilities available to itself to enable the Licensee to carry on the T&S Business for a period of 12 months from the date of the certificate; (b) after making enquiries the Licensee's directors have a reasonable expectation that the Licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the Licensee to carry on the T&S Business for a period of 12 months from the date of the certificate; and (c) after making enquiries the Licensee's directors consider that, at the time of their approval of this certificate, the Licensee is in compliance in all material respects with all of the obligations imposed on it by the licence. <p>13.3 The Licensee shall only declare or pay dividends or otherwise make distributions in accordance with a distribution policy which has been approved by the board of the Licensee and which complies with the principle that the dividends or distributions declared or paid will</p>

		<p>not impair the ability of the Licensee to finance the T&S Business.</p> <p>Note: <i>operating model for T&SCos remains subject to review including as part of the cost assessment process.</i></p>
14.	Undertaking from Ultimate Controller	<p>14.1 The Licensee shall procure from each company or other person which is at any time an Ultimate Controller of the Licensee a legally enforceable undertaking in favour of the Licensee in the form specified by the Regulator that that Ultimate Controller (the "covenantor") will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is a Subsidiary Undertaking of or controlled by, the covenantor (other than the Licensee and its subsidiaries) will refrain from any action, which would then be likely to cause the Licensee to breach any of its obligations under the Act or this licence. The undertaking referred to in condition B14.1 shall be obtained within 7 days of the company or other person in question becoming an Ultimate Controller and shall remain in force for as long as the Licensee remains the holder of this licence and the covenantor remains an Ultimate Controller of the Licensee.</p> <p>14.2 The Licensee shall:</p> <ul style="list-style-type: none"> (a) deliver to the Regulator evidence (including a copy of each such undertaking) that the Licensee has complied with its obligation to procure undertakings pursuant to condition B14.1; (b) inform the Regulator immediately in writing if the directors of the Licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and (c) comply with any direction from the Regulator to enforce any such undertaking; <p>and shall not, save with the consent in writing of the Regulator, enter (directly or indirectly) into any agreement or arrangement with any Ultimate Controller of the Licensee or any of the subsidiaries of any such corporate Ultimate Controller (other than the subsidiaries of the Licensee) at a time when:</p> <ul style="list-style-type: none"> (i) an undertaking complying with condition B14.1 is not in place in relation to that Ultimate Controller; or (ii) there is an unremedied breach of such undertaking; or

		<p>(iii) the Licensee is in breach of the terms of any direction issued by the Regulator as referred to in condition B14.2.</p> <p>14.3 The Licensee must, on or before 31 July of each Charging Year, provide the Regulator with a schedule of the undertakings obtained in accordance with condition B14.1 that are in force at that time, together with a confirmation that the Licensee has sent each of the Ultimate Controllers concerned a letter, within the preceding 12 months, appraising the Ultimate Controller of the terms of the undertaking that it has given.</p>
15.	Qualifying Acquisition	<p>15.1 For the purposes of this condition and Schedule 7 (<i>Qualifying Acquisition Information</i>):</p> <p>"Qualifying Acquisition" means an event in which a person:</p> <p>(a) acquires direct or indirect control of the Licensee; or</p> <p>(b) acquires direct or indirect control of the T&S Network.</p> <p>15.2 For the purposes of condition B15.1(a) and subject to condition B15.4, "control" means either</p> <p>(a) where the percentage of shares or voting rights that the person holds in the Licensee increases:</p> <p>(i) from 25% or less to more than 25%;</p> <p>(ii) from 50% or less to more than 50%;</p> <p>(iii) from less than 75% to more than 75%, or</p> <p>(b) where the acquisition is of voting rights in the Licensee that (whether alone or together with other voting rights held by the person) enable the person to secure or prevent the passage of any class of shareholder resolution governing the affairs of the Licensee with respect to all or substantially all matters relating to the T&S Business.</p> <p>15.3 For the purposes of condition B15.1(b) and subject to condition B15.4, "control" means the acquisition of a right or interest such that the transferee is able:</p> <p>(a) to use the asset, or use it to a greater extent than prior to the acquisition; or</p> <p>(b) to direct or control how the asset is used, or direct or control how it is used to a greater extent than prior to the acquisition.</p>

		<p>15.4 For the purposes of condition B15.1, "indirect control" means where the person does not directly hold the relevant right or interest, but holds a majority stake in an entity and that entity:</p> <ul style="list-style-type: none"> (a) holds the interest or right; or (b) is part of a chain of entities and either (i) each of those entities other than the last has a majority stake in the entity immediately below it in the chain, and the last entity holds the interest or right, or (ii) if the last entity in the chain holds a majority stake in the Licensee, all but one of the other entities in the chain hold a majority stake in the entity immediately below it in the chain, and the other entity in the chain holds more than 25% of the shares or voting rights in the entity immediately below it. <p>15.5 For the purposes of condition B15.4, A has a "majority stake" in B if:</p> <ul style="list-style-type: none"> (a) A holds a majority of voting rights in B, (b) A is a member of B and has the right to appoint or remove a majority of the board of directors of B, (c) A is a member of B and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in B, or (d) A has the right to exercise, or actually exercises, dominant influence over B for the purposes of section 1162(2)(c) and paragraph 4 of schedule 7 of the Companies Act 2006, <p>where "majority" means a simple majority of more than 50%.</p> <p>15.6 In condition B15.5:</p> <ul style="list-style-type: none"> (a) the reference to the right to appoint or remove a majority of the board of directors of an entity is to the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on all or substantially all matters, (b) the reference to the board of directors, in the case of an entity that does not have such a board, is to be read as a reference to the equivalent management body of that entity. <p>15.7 The Licensee shall inform the Regulator in writing and provide the information set out in Schedule 7 (<i>Qualifying Acquisition Information</i>) of which it is aware or ought reasonably to be aware, having made reasonable</p>
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		<p>enquiries, not less than [30] Business Days in advance of completion of any Qualifying Acquisition of which it is aware or ought reasonably to be aware, including in light of the provisions of condition B15.8.</p> <p>15.8 The Licensee shall procure from each company or other person which the Licensee knows or reasonably should know is at any time an Ultimate Controller of the Licensee a legally enforceable undertaking in favour of the Licensee that the Ultimate Controller (the "information covenantor") will give to the Licensee, and will procure that any person (including, without limitation, a corporate body) which is a Subsidiary Undertaking of, or is controlled by, the information covenantor (other than the Licensee and its subsidiaries) will give to the Licensee all such information as may be necessary to enable the Licensee to comply fully with the obligations imposed on it by condition B15.7. Such undertaking shall be obtained upon such corporate body or other person in question becoming an Ultimate Controller of the Licensee and shall remain in force for so long as the Licensee remains the holder of this licence and the information covenantor remains an Ultimate Controller of the Licensee.</p>
16.	Fit and proper person requirement	<p>16.1 The Licensee must not appoint or have in place a person in a position of Significant Managerial Responsibility or Influence who is not a fit and proper person to occupy that role.</p> <p>16.2 The Licensee must:</p> <ul style="list-style-type: none"> (a) have and maintain robust processes, systems and governance in place to ensure that any person holding a position of Significant Managerial Responsibility or Influence in the Licensee is fit and proper to occupy that role; and (b) carry out regular assessments on such person(s) to ensure that they remain fit and proper to occupy that role. <p>16.3 In complying with conditions B16.1 and B16.2, the Licensee must have regard to and take account of all relevant matters including, but not limited to, whether the individual has:</p> <ul style="list-style-type: none"> (a) been responsible for, contributed to or facilitated any serious misconduct or mismanagement (whether unlawful or not) in the course of carrying out a regulated activity (or, providing a service elsewhere which if provided in Great Britain, would be a regulated activity); (b) any relevant unspent criminal convictions in any jurisdiction in particular fraud or money laundering;

		<p>(c) any insolvency history, including undischarged bankruptcy, debt judgements and County Court judgements;</p> <p>(d) been disqualified from acting as a director of a company;</p> <p>(e) been a person with Significant Managerial Responsibility or Influence at a current or former CCS Licensee in respect of whose T&S Network the Regulator issued a T&SCo of Last Resort Direction (including where they were a person with Significant Managerial Responsibility or Influence at that CCS Licensee within the 12 months prior to the T&SCo of Last Resort Direction being issued); and/or</p> <p>(f) been refused, had revoked, restricted or terminated any form of authorisation, or had any disciplinary, compliance, enforcement or regulatory action taken by any regulatory body in any jurisdiction whether as an individual, or in relation to a business in which that person held Significant Managerial Responsibility or Influence.</p> <p>16.4 The Licensee must give particular regard to circumstances in which the relevant person has a background in the carbon capture and storage sector in Great Britain and the previous actions of that person resulted in or contributed towards significant market detriment.</p>
17.	Financial Resilience and Credit Quality	<p>17.1 In accordance with the other provisions of this licence, the Licensee is required to ensure it has the financial resources and standing needed to enable the Licensee to comply with the terms and conditions of this licence. During the First Regulatory Period, the Licensee is not required to obtain or maintain an Investment Grade Issuer Credit Rating.</p> <p>17.2 Following the expiry of the First Regulatory Period and subject to condition B17.4 below, the Regulator may, in accordance with the RES/RAS Process Guidance, require the Licensee to undertake a RES/RAS Process to inform the Regulator's assessment of whether the then prevailing conditions or circumstances of the Licensee are appropriate to introduce an obligation to obtain/maintain would enable it to obtain an Investment Grade Issuer Credit Rating of at least BBB (S&P, Fitch or DBRS Morningstar) or Baa2 (Moody's).</p> <p>17.3 Following the Licensee undertaking a RES/RAS Process and subject to condition B17.5 below, the Regulator may in accordance with the Investment Grade Issuer Credit Rating Guidance, require that the Licensee use all</p>

		<p>reasonable endeavours to obtain and maintain an Investment Grade Issuer Credit Rating.</p> <p>17.4 The Regulator shall only be entitled to exercise its rights under condition B17.2 if, by no less than [●] months prior thereto, it has issued guidance in relation to, among other things, the conditions or circumstances that would need to apply before the Regulator introduces the requirement for the Licensee to undertake a RES/RAS Process.</p> <p>17.5 The Regulator shall only be entitled to exercise its rights under condition B17.3 if, by no less than [●] months prior thereto, it has issued guidance in relation to, among other things, the conditions or circumstances that would need to apply before the Regulator introduces the requirement for the Licensee to obtain and maintain an Investment Grade Issuer Credit Rating, taking account of the conditions or circumstances of the Licensee that would enable it to obtain an Investment Grade Issuer Credit Rating informed by the results of the RES/RAS Process.</p>
18.	Credit rating	<p>18.1 If the Regulator notifies the Licensee of the requirement for the Licensee to undertake a RES/RAS Process in accordance with condition B18.2, the Licensee shall provide to the Regulator details of its analysis of any reasonable adjustment to the Opex to take into account the cost of undertaking the RES/RAS Process, and the Regulator will determine any adjustment to the ex ante Opex allowance.</p> <p>18.2 If the Regulator notifies the Licensee of the requirement for the Licensee to obtain and maintain an Investment Grade Issuer Credit Rating, pursuant to condition B17.3, with effect during a regulatory period, the Licensee shall provide to the Regulator details of its analysis of the adjustments required to take into account such requirements including but not limited to:</p> <ul style="list-style-type: none"> (a) any adjustments to the Revenue Calculations as a result of the Investment Grade Issuer Credit Rating, including without limitation: <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and (ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for obtaining and maintaining

		<p>Investment Grade Issuer Credit Rating; and/or</p> <p>(iii) any adjustments to the WACC for the Operational Period as determined in accordance with condition H8 (WACC).</p> <p>18.3 The Regulator will determine the impact of the requirement to obtain and maintain the Investment Grade Issuer Credit Rating on the Project/the Licensee and any adjustments to be provided to the Licensee.</p> <p>18.4 Following notification by the Regulator under condition B18.2, the Licensee shall provide to the Regulator:</p> <p>(a) any additional information that the Regulator considers appropriate and requests from the Licensee in relation to obtaining and maintaining the Investment Grade Issuer Credit Rating; and</p> <p>(b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition B18.3, satisfactory evidence to the Regulator that obtaining and maintaining the Investment Grade Issuer Credit Rating affects the cost impact to On-going Devex, Capex or Opex.</p> <p>18.5 The amount of any increases to the Licensee's costs pursuant to condition B18.3 shall be subject to the Licensee providing satisfactory evidence that obtaining and maintaining the Investment Grade Issuer Credit Rating affects the cost impact to On-going Devex, Capex or Opex pursuant to condition B18.4.</p>
19.	Indebtedness	<p>19.1 In addition to the requirements of condition B8 (<i>Disposal of assets and restrictions on charges over receivables</i>), the Licensee shall not without the prior written consent of the Regulator (following the disclosure by the Licensee of all material facts):</p> <p>(a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into or continue or permit to remain in effect any guarantee or any obligation otherwise than:</p> <p>(i) on an arm's length basis;</p> <p>(ii) on normal commercial terms;</p> <p>(iii) for a Permitted Purpose; and</p> <p>(iv) if the transaction is within the ambit of condition B8 (<i>Disposal of assets and</i></p>

		<p><i>restrictions on charges over receivables</i>) in accordance with that condition;</p> <p>(b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the Licensee otherwise than by way of:</p> <p>(i) a dividend or other distribution out of distributable reserves;</p> <p>(ii) repayment of capital;</p> <p>(iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;</p> <p>(iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in condition B19.2;</p> <p>(v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);</p> <p>(vi) payments for group corporation tax relief calculated on a basis not exceeding the value of the benefit received; or</p> <p>(vii) an acquisition of shares or other investments in conformity with paragraph 2 of condition B11 (<i>Restriction on activity and financial ring-fencing</i>) made on an arm's length basis and on normal commercial terms; or</p> <p>(c) enter into an agreement or incur a commitment incorporating a cross-default obligation or continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation, provided, however, that the provisions of condition B19.1 shall not prevent the Licensee from giving any guarantee permitted by and compliant with the requirements of condition B19.1(a).</p> <p>19.2 The payment condition referred to in condition B19.1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:</p> <p>(a) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating; or</p>
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		<p>(b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.</p>
20.	Regulatory Reporting	<p>20.1 The Licensee must comply with the regulatory and revenue reporting obligations which are to be set out in the regulatory and revenue reporting guidance published by the Regulator, providing all required information using the templates included in the guidance, by 31 July of the Charging Year to which the information relates.</p> <p>20.2 The information provided by the Licensee must be accompanied by a report from an auditor, confirming that the information complies with the requirements of the guidance and the amounts and figures presented are in accordance with the records which have been maintained by the Licensee.</p> <p><i>Note: it is intended that guidance on regulatory reporting will be developed by the Regulator.</i></p>
21.	T&SCo of Last Resort	<p>21.1 The Licensee shall at all times comply with any T&SCo of Last Resort Direction that has been given or varied by the Regulator pursuant to the licence.</p> <p>21.2 The Regulator may, following consultation with the Licensee and any other CCS Licensees affected thereby, give a T&SCo of Last Resort Direction to provide carbon dioxide transport and storage services for a period not exceeding five years where the Regulator intends to revoke the licence of another CCS Licensee.</p> <p>21.3 The Regulator may only give a T&SCo of Last Resort Direction to the Licensee if:</p> <ul style="list-style-type: none"> (a) it considers that the Licensee could comply with the T&SCo of Last Resort Direction without materially prejudicing the Licensee's ability to: <ul style="list-style-type: none"> (i) continue to carry out its activities pursuant to this licence, and (ii) fulfil its contractual obligations under the CCS Network Code; (b) it is satisfied that the Licensee is able to operate the relevant T&S network in an economic, efficient and effective manner; (c) it is satisfied that the Licensee will be able to finance the activities which are the subject of obligations to be imposed on it by or by virtue of the T&SCo of Last Resort Direction;

		<p>(d) it is satisfied that the Licensee will be able to recover the costs of operating the relevant T&S network in an economic, efficient and effective manner, including a reasonable rate of return;</p> <p>(e) it has given notice to the Licensee, pursuant to this condition, of its intention to give a T&SCo of Last Resort Direction and specified a reasonable period (not being less than 14 days from the date of publication of the notice) within which the Licensee may make representations to the proposed T&SCo of Last Resort Direction; and</p> <p>(f) it has considered any representations made by the Licensee and not withdrawn the notice.</p> <p>21.4 A T&SCo of Last Resort Direction shall not take effect unless the Regulator has formally proposed modifications to the conditions of this licence, pursuant to [section 13 of the Act], that will prescribe the rights and obligations of the Licensee with respect to the relevant T&S network, including the annual revenue that the Licensee is able to earn for providing carbon dioxide transport and storage services through the relevant T&S network in an economic, efficient and effective manner.</p> <p>21.5 The Licensee acknowledges that where the Regulator is entitled to issue a T&SCo of Last Resort Direction, the Licensee may be the intended transferee of designated property, rights or liabilities under a Transfer Scheme concerning another CCS Licensee.</p> <p>21.6 In making a decision on issuing a T&SCo of Last Resort Direction the Regulator shall have regard to its guidance on the T&SCo of Last Resort mechanism, but in the event of any conflict between this licence condition and the guidance, this licence condition will prevail.</p> <p>Note: <i>it is intended that a T&SCo of Last Resort regime will only be applied where reasonably practicable to implement, similarly to the regime that applies in the context of energy suppliers and networks. The drafting in condition B21.3 is closely modelled on the OFTO of Last Resort standard condition included in the electricity transmission licence standard licence conditions.</i></p>
22.	Procurement obligations	<p>22.1 The Licensee must ensure that all goods and services which are procured by the Licensee in the course of the Licensee carrying out the T&S Business are procured on terms which are designed to achieve the most economic, efficient, and effective procurement of those goods and services.</p> <p>22.2 Without limiting the generality of condition B22.1, unless otherwise agreed by the Regulator, when the Licensee is procuring goods and services in the carrying out of the T&S Business, the Licensee must:</p>

		<ul style="list-style-type: none"> (a) follow procurement processes which: <ul style="list-style-type: none"> (i) treat potential providers equally and without discrimination; (ii) are transparent; (iii) are designed to ensure an effective competition by ensuring: <ul style="list-style-type: none"> (A) such processes do not exclude particular providers, or types/categories of providers, or otherwise artificially restrict or narrow competition; (B) any contract award decision is to be made on the basis of the most economically advantageous tenders, or some other clear, transparent and objective award criteria, which in each case are made available in advance to potential providers, are linked to a clear and objective scoring methodology and linked to the subject matter of the contract being procured; and (iv) are consistent with Good Industry Practice for the procurement of such goods and services; (b) act in a transparent and proportionate manner; (c) carry out a competitive tender process or where this is not possible, incorporate appropriate procurement benchmarking in its procurement processes; (d) ensure that any contracts entered into as a result of the procurement process are: <ul style="list-style-type: none"> (i) on an arm's length basis; and (ii) on normal commercial terms; and (e) have regard to any Local Content and other supply chain requirements, including but not limited to commitments under the North Sea Transition Deal that apply to the Licensee.
23.	Data Best Practice	23.1 The purpose of this condition is to set out the Licensee's obligations to comply with Data Best Practice Guidance.

		<p>23.2 This condition also sets out the process the Regulator will follow when issuing and amending Data Best Practice Guidance.</p> <p>23.3 The Licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.</p> <p>23.4 The Regulator will issue and amend Data Best Practice Guidance by direction.</p> <p>23.5 The Regulator will publish Data Best Practice Guidance on the Regulator's website.</p> <p>23.6 Data Best Practice Guidance will make provision about how the Regulator expects the Licensee to comply with data best practice to generate benefits for T&S Network Users, stakeholders or the public interest, including but not limited to ensuring services that involve Energy System Data are designed to meet the needs of T&S Network Users, stakeholders or the public interest.</p> <p>23.7 Before issuing Data Best Practice Guidance by direction, the Regulator will publish on the Regulator's website:</p> <ul style="list-style-type: none"> (a) the text of the proposed guidance; (b) the date on which the Regulator intends the guidance to come into effect; and (c) a period during which representations may be made on the content of the guidance, which will not be less than 28 days. <p>23.8 Before amending Data Best Practice Guidance by direction, the Regulator will publish on the Regulator's website:</p> <ul style="list-style-type: none"> (a) the text of the amended guidance; (b) the date on which the Regulator intends the amended guidance to come into effect; (c) the reasons for the amendments to the guidance; and (d) a period during which representations may be made on the amendments to the guidance, which will not be less than 28 days.
24.	Requirement for Sufficiently Independent Directors	<p>24.1 Subject to condition B24.11, except and to the extent that the Regulator consents otherwise, the Licensee must ensure that at all times it has at least two non-executive directors who meet the criteria set out in conditions B23.2, B24.3 and B24.5 below. In this</p>

		<p>condition B24, such directors are referred to as "sufficiently independent directors".</p> <p>24.2 A sufficiently independent director must:</p> <ul style="list-style-type: none"> (a) be a natural person; and (b) in the reasonable opinion of the Licensee, have the skills, knowledge, experience, and personal qualities necessary to perform effectively as a non-executive director of the Licensee; and (c) not have any executive duties within the T&S Business. <p>24.3 Except and to the extent that the Regulator consents otherwise, and subject to condition B24.4, a sufficiently independent director must not be, and must not have been during the 12 months before their appointment as a director of the Licensee or the coming into force of this condition (whichever is the later):</p> <ul style="list-style-type: none"> (a) an employee of the Licensee; or (b) a director or employee of an Associate of the Licensee. <p>24.4 The reference to "director" in condition B24.3(b) does not include appointment as a non-executive director of a wholly-owned subsidiary of the Licensee that has been incorporated by it solely for the purpose of raising finance for a Permitted Purpose.</p> <p>24.5 A sufficiently independent director must not:</p> <ul style="list-style-type: none"> (a) have, or have had during the 12 months before their appointment as a director or the coming into force of this condition (whichever is the later), any material business relationship with the Licensee or any Associate of the Licensee; (b) hold a remit to represent the interests of any particular shareholder or group of shareholders of the Licensee or the interests of any Associate of the Licensee; or (c) receive remuneration from the Licensee or any Associate of the Licensee apart from a director's fee and reasonable expenses. <p>24.6 For the purposes of conditions B24.5(a) and B24.5(c) respectively:</p> <ul style="list-style-type: none"> (a) the holding of a small number of shares or associated rights shall not, of itself, be considered a material business relationship; and
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		<p>(b) the receipt or retention of any benefit accrued as a result of prior employment by or service with the Licensee or any Associate of the Licensee shall not be considered to be remuneration.</p> <p>24.7 The Licensee must notify the Regulator of the names of its sufficiently independent directors within 14 days of [Licence Award] and must notify the Regulator within 14 days where any new directors are appointed to fulfil the obligation in condition B24.11.</p> <p>24.8 The terms of appointment of each sufficiently independent director must include a condition stipulating that both the Licensee and the appointee will use their best endeavours to ensure that the appointee remains sufficiently independent during their term of office, having particular regard to the criteria set out in conditions B24.2, B24.3 and B24.5.</p> <p>24.9 A term of appointment for a sufficiently independent director may not be for longer than eight years, but an individual may be reappointed thereafter provided that they continue to meet the criteria set out in conditions B24.2, B24.3 and B24.5.</p> <p>24.10 The Licensee must notify the Regulator in writing within 14 days if any sufficiently independent director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the Licensee) the resignation. For the purposes of this requirement, the reasons for a resignation may, if appropriate, be stated to be personal reasons.</p> <p>24.11 If at any time the Licensee has fewer than two sufficiently independent directors because of a removal or resignation or other reason (including death or incapacity), the Licensee must use its reasonable endeavours to ensure that a new director is, or new directors are, appointed to fulfil the obligation in condition B24.1 as soon as is reasonably practicable to bring the number of sufficiently independent directors up to at least two.</p>
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Section C: Onshore Standard Conditions

1.	Application of Onshore Standard Conditions	1.1	These standard conditions apply where any part of the T&S Network to which this licence applies includes an Onshore Transportation System.
2.	Obligations relating to onshore transport of CO₂ and other obligations	2.1	The Licensee shall comply with all Legal Requirements that apply to the Onshore Transportation System.
3.	Decommissioning obligations	3.1	The Licensee shall comply with the Onshore Decommissioning Requirements that apply to the Onshore Transportation System
		3.2	<p>The Licensee shall establish an Onshore Decommissioning Fund, which shall:</p> <ul style="list-style-type: none"> (a) meet the requirements of the Regulator in relation to ringfencing; and (b) have sufficient funds to: <ul style="list-style-type: none"> (i) carry out the activities contemplated by the Onshore Decommissioning Plan; and (ii) comply with condition C3.1.
		3.3	<p>In order to comply with condition C3.2, within [12 months of Licence Award], the Licensee shall prepare, and submit to the Regulator for approval:</p> <ul style="list-style-type: none"> (a) the proposed structure for the Onshore Decommissioning Fund which meets the ringfencing requirements of the Regulator; <i>Note: guidance will be provided on the ringfencing/holding requirements.</i> (b) an onshore decommissioning plan in relation to the decommissioning of the Onshore Transportation System ("Onshore Decommissioning Plan") which: <ul style="list-style-type: none"> (i) in accordance with the Onshore Decommissioning Requirements, sets out the measures that the Licensee proposes to take to decommission the Onshore Transportation System and otherwise comply with the Onshore Decommissioning Requirements; and (ii) contains an estimate of the total cost of the measures proposed in it (including a contingency amount to cover unexpected costs); and

		<p>(c) an investment strategy designed to [maintain the value] of the Onshore Decommissioning Fund ("Onshore Decommissioning Fund Investment Strategy").</p> <p>Note: <i>general guidance relating to the investment strategy will be developed by Ofgem in due course. It is expected that a single investment strategy will apply across different onshore and offshore decommissioning funds established by the Licensee in accordance with the licence conditions.</i></p> <p>3.4 The Licensee shall use all reasonable endeavours to ensure that the Onshore Decommissioning Plan accurately reflects:</p> <p>(a) the measures required to decommission the Onshore Transportation System (and carry out any related activities); and</p> <p>(b) the economic, efficient and effective cost of those measures,</p> <p>in accordance with the Onshore Decommissioning Requirements that apply to the Onshore Transportation System.</p> <p>3.5 The Regulator may require further information to be provided in relation to the Onshore Decommissioning Plan and the Onshore Decommissioning Fund Investment Strategy submitted to it under condition C3.3 and may also require the Licensee to make changes to any of these before they are approved.</p> <p>3.6 Once the Regulator has provided its approval under condition C3.3, the Licensee shall calculate the Onshore Decommissioning Fund Contribution Amount, using the Onshore Decommissioning Fund Accrual Profile, and shall submit to the Regulator for approval:</p> <p>(a) the Onshore Decommissioning Fund Contribution Amount that the Licensee has calculated; and</p> <p>(b) details of how that calculation has been made, having regard to the cost estimate set out in the Onshore Decommissioning Plan, the Onshore Decommissioning Fund Investment Strategy and the expected operational life of the Onshore Transportation System.</p> <p>3.7 The Regulator may require further information to be provided in relation to how the Licensee has calculated the Onshore Decommissioning Fund Contribution Amount and may also require the Licensee to make changes before approving the Onshore Decommissioning Fund Contribution Amount.</p>
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4.	UK Emissions Trading Scheme	<p>4.1 The Licensee shall comply with all obligations arising under the UK ETS in relation to all carbon dioxide that is delivered by Users into the Onshore Transportation System.</p>
5.	Metering	<p>5.1 The Licensee shall be responsible for ensuring that appropriate metering equipment is installed, operated and maintained to accurately measure the rate of flow and composition of carbon dioxide being delivered by Users into the T&S Network.</p> <p>5.2 Without limiting the generality of condition C5.1, the Licensee shall ensure that the metering on the T&S Network complies with the requirements of:</p> <ul style="list-style-type: none"> (a) UK ETS; (b) the NSTA; (c) the CCS Network Code; and (d) any other Legal Requirements, <p>including but not limited to any requirements in respect of the location and specification of the metering and any requirements to identify CO₂ leakage on the Onshore Transportation System, Offshore Transportation and Storage System and any Storage Complex.</p> <p>5.3 The Regulator may require the Licensee to provide evidence of verification by an independent technical expert of compliance of the metering equipment with the relevant standards and levels of accuracy, as required by this condition.</p> <p>Note: metering obligations remain subject to further consideration. In particular, a timeline for the UK ETS permit needs to be established which allows settlement</p>

		<i>of related issues under the licence, including design and costing of metering across the T&S Network.</i>
6.	Obligations in relation to carbon dioxide storage	<p>6.1 The Licensee shall ensure that any carbon dioxide that the Licensee accepts is contained within the T&S Network in accordance with the requirements of the licence and either:</p> <ul style="list-style-type: none"> (a) stored in a Storage Complex in relation to which the Licensee holds a Storage Licence and Storage Permit (where the Offshore Transportation and Storage System is also operated by the Licensee); or (b) delivered to an Onshore Transportation System or an Offshore Transportation and Storage System operated by another CCS Licensee.

Section D: Offshore Standard Conditions

1.	Application of Offshore Standard Conditions	1.1	These standard conditions apply where any part of the T&S Network to which this licence applies includes an Offshore Transportation and Storage System.
2.	Obligations relating to offshore transport of CO₂ and other obligations	2.1	The Licensee shall comply with all Legal Requirements that apply to the Offshore Transportation and Storage System.
3.	Decommissioning obligations	3.1	<p>The Licensee shall comply with the Offshore Decommissioning Requirements that apply to the Offshore Transportation and Storage System.</p> <p>Note: <i>this condition sets out a preliminary framework for the Licensee's obligations relating to the establishment of the offshore decommissioning fund or funds. It will require further development to reflect the statutory regime that will underpin the establishment of an offshore decommissioning fund (in contrast to the onshore decommissioning fund). It is expected that there will be fund coverage for installation and well decommissioning, post-decommissioning monitoring, post-licence termination monitoring costs and other contributions under the Storage of Carbon Dioxide (Termination of Licences) Regulations 2011, post-closure financial security costs, and post-closure Supplemental Compensation Agreement charges.</i></p>
		3.2	<p>The Licensee shall establish an Offshore Decommissioning Fund, which shall:</p> <ul style="list-style-type: none"> (a) meet the requirements of the Offshore Decommissioning Requirements and the Regulator in relation to ringfencing; and (b) have sufficient funds to: <ul style="list-style-type: none"> (i) carry out the activities contemplated by the Approved Offshore Decommissioning Programme; (ii) comply with condition D3.1; and (iii) cover the post-closure insurances and Supplemental Compensation Agreement charges. <p>Note: <i>paragraph (b) above will be developed to deal in more detail with the different categories of costs referenced in the note under condition D3.1.</i></p>

		<p>3.3 In order to comply with condition D3.2, within [12 months of Licence Award], the Licensee shall submit to the Regulator:</p> <p>(a) the proposed structure for the Offshore Decommissioning Fund which meets the ringfencing requirements of the Offshore Decommissioning Requirements and the Regulator;</p> <p><i>Note: guidance will be provided on the ringfencing/holding requirements.</i></p> <p>(b) a copy of the Approved Offshore Decommissioning Programme (including an estimate of the total cost of the measures proposed in it, which includes a contingency amount to cover unexpected costs, as approved by the Offshore Decommissioning Authority), together with evidence of its approval by the Offshore Decommissioning Authority; and</p> <p><i>Note: paragraph (b) above only deals with the Approved Offshore Decommissioning Programme. The process for approval of other costs is to be developed.</i></p> <p>(c) an investment strategy designed to maintain the value of the Offshore Decommissioning Fund (the "Offshore Decommissioning Fund Investment Strategy"), which must be approved by the Regulator.</p> <p><i>Note: general guidance relating to the investment strategy will be developed by Ofgem in due course. It is expected that a single investment strategy will apply across different onshore and offshore decommissioning funds established by the Licensee in accordance with the licence conditions.</i></p> <p><i>Note: mechanism for dealing with payment to cover liability for decommissioning of Re-use Assets, into the Fund, to be developed.</i></p> <p>3.4 The Regulator may require further information to be provided in relation to the Offshore Decommissioning Fund Investment Strategy submitted to it under condition D3.3 and may also require the Licensee to make changes to the Offshore Decommissioning Fund Investment Strategy before it is approved.</p> <p>3.5 Once the Regulator has provided its approval under condition D3.3, the Licensee shall calculate the Offshore Decommissioning Fund Contribution Amount, using the Offshore Decommissioning Fund Accrual Profile, and shall submit to the Regulator for approval:</p>
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		<p>(a) the Offshore Decommissioning Fund Contribution Amount that the Licensee has calculated; and</p> <p>(b) details of how that calculation has been made, having regard to the cost estimate set out in the Approved Offshore Decommissioning Programme, the Offshore Decommissioning Fund Investment Strategy and the expected operational life of the Offshore Transportation and Storage System.</p> <p>3.6 The Regulator may require further information to be provided in relation to how the Licensee has calculated the Offshore Decommissioning Fund Contribution Amount and may also require the Licensee to make changes before approving the Offshore Decommissioning Fund Contribution Amount.</p> <p>3.7 Once the Regulator has provided its approval under condition D3.5, in each Charging Year starting from [the Commercial Operations Date of the Offshore Transportation and Storage System], the Licensee shall promptly pay the Offshore Decommissioning Fund Contribution Amount into the Offshore Decommissioning Fund Account [by the end of each calendar month of that Charging Year].</p> <p>Note: <i>the hierarchy and mechanics of payment to be developed in the context of the financing workstream.</i></p> <p>3.8 The Licensee shall not make any withdrawals from the Offshore Decommissioning Fund Account other than for:</p> <p>(a) the purpose of investment in accordance with the Offshore Decommissioning Fund Investment Strategy; and</p> <p>(b) with the approval of the Offshore Decommissioning Authority, for the purposes of carrying out any decommissioning of any part of the Offshore Transportation and Storage System (or related activities, as contemplated by condition D3.2(b)) as required by the Offshore Decommissioning Authority or any other regulator in accordance with the Approved Offshore Decommissioning Programme and the Offshore Decommissioning Requirements.</p> <p>Note: <i>further provisions to be developed to deal with fund windfall/shortfall, as well as access to the fund in the event that the Licensee does not comply with its decommissioning obligations.</i></p>
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4.	UK Emissions Trading Scheme	<p>4.1 The Licensee shall comply with all obligations arising under the UK ETS in relation to all carbon dioxide that is delivered to the Offshore Transportation and Storage System.</p>
5.	Metering	<p>5.1 The Licensee shall be responsible for ensuring that appropriate metering equipment is installed, operated and maintained to accurately measure the rate of flow and composition of carbon dioxide being delivered by Users into the T&S Network.</p>

		<p>5.2 Without limiting the generality of condition C5.1, the Licensee shall ensure that the metering on the T&S Network complies with the requirements of:</p> <ul style="list-style-type: none"> (a) UK ETS; (b) the NSTA; (c) the CCS Network Code; and (d) any other Legal Requirements, <p>including but not limited to any requirements in respect of the location and specification of the metering and any requirements to identify CO₂ leakage on the Onshore Transportation System, Offshore Transportation and Storage System and any Storage Complex.</p> <p>5.3 The Regulator may require the Licensee to provide evidence of verification by an independent technical expert of compliance of the metering equipment with the relevant standards and levels of accuracy, as required by this condition.</p> <p>Note: <i>metering obligations remain subject to further consideration. In particular, need to establish timeline for UK ETS permit which allows settlement of related issues under the licence, including design and costing of metering across the T&S Network.</i></p>
6.	Obligations in relation to carbon dioxide storage	<p>6.1 The Licensee shall ensure that any carbon dioxide that the Licensee accepts is contained within the T&S Network in accordance with the requirements of the licence and either:</p> <ul style="list-style-type: none"> (a) stored in a Storage Complex in relation to which the Licensee holds a Storage Licence and Storage Permit; or (b) delivered to an Onshore Transportation System or Offshore Transportation and Storage System operated by another CCS Licensee.
7.	Storage Licence and Storage Permit	<p>7.1 Without limiting the generality of condition D2 (<i>Obligations relating to offshore transport of CO₂ and other obligations</i>), the Licensee shall comply with the terms of the Licensee's Storage Licence and Storage Permit.</p>

PART III: SPECIAL CONDITIONS

Section E: T&S Network Development

1.	T&S Network development	1.1	In the First Regulatory Period the Licensee shall: <ul style="list-style-type: none"> (a) comply with its obligations under section F (<i>Construction Period Conditions</i>) in relation to the Handover Works; (b) comply with its obligations under section G (<i>Commissioning Period Conditions</i>) in relation to the Commissioning Activities; and (c) comply with the Approved Project Development Plan in relation to the development of the T&S Network.
2.	T&S Network expansion and additional construction, commissioning and operational periods	2.1	The Approved Project Development Plan sets out (among other things): <ul style="list-style-type: none"> (a) the scope of the Project; (b) the Approved T&S Network; (c) Phase 1 activities to be completed prior to the Commercial Operations Date (i.e. the Handover Works and Commissioning Activities); (d) Phase 2 activities to be completed post-Commercial Operations Date (i.e. activities with associated On-going Capex relating to the Approved T&S Network, which may include both construction and commissioning activities); and (e) the Licensee's plans for the development and enhancement of the T&S Network beyond Phase 1 and Phase 2 (i.e. development activities in Phase 3 with associated On-going Devex).
		2.2	The Licensee shall develop and enhance the Approved T&S Network through the application of On-going Devex to advance Phase 3.
		2.3	The Regulator and the Licensee each acknowledge that the development and enhancement of the Approved T&S Network as referred to in condition E2.2 may result in the need for the Licensee to propose Changes in Scope (for example, where On-going Devex envisaged in the APDP reaches a stage where the Licensee can commence the associated capex works), the impacts of which: <ul style="list-style-type: none"> (a) shall be determined by the Regulator in accordance with this licence (see conditions F15 (<i>Change in Scope</i>), G12 (<i>Change in Scope</i>) and H24 (<i>Change in Scope</i>) below); and

		<p>(b) may result in additional investment decisions (which meet the requirements set out in the Project Programme and [section 5] of the APDP), construction periods, commissioning periods and commercial operations dates outside of the scope of the Phases,</p> <p>and, in such cases, the additional investment decisions, construction periods and commissioning periods shall neither:</p> <p>(i) impact the Licensee's completion of the Handover Works, Commissioning Activities or the achievement of the Commercial Operations Date; nor</p> <p>(ii) impact the Licensee's ability to recover Allowed Revenue via Use of System Charges in respect of the Commercial Operations Date.</p> <p>2.4 Where the Regulator determines that a Change in Scope will require an additional construction period, commissioning period and commercial operations date, it is envisaged that these will follow the same processes and principles as set out in sections F and G (for example with the relevant costs during the construction and commissioning periods accruing to an SRAV before transferring to the RAV at the relevant commercial operations date, which is also the point that the Licensee's ability to begin to recover the relevant Allowed Revenue via Use of System Charges will be triggered).</p>
3.	Definitions and interpretation	<p>In the special conditions, terms defined in the standard conditions of this licence shall have the same meaning and, unless the context otherwise requires:</p> <p>"Additional or Expanded Storage Complex" has the meaning given in condition H20.9(a);</p> <p>"Availability" has the meaning given to it in condition H17.2;</p> <p>"Availability Correction Plan" has the meaning given to it in condition H17.14;</p> <p>"Availability Floor" means the floor in respect of Availability as set out in [section 3.3] of the APDP;</p> <p>"Availability Relief Factor" has the meaning given to it in condition H17.8;</p> <p>"Availability Target" means the target in respect of Availability as set out in [section 3.3] of the APDP;</p> <p>"Base Year" means [<i>year to be specified</i>];</p>

		<p>"Carbon Storage and Development Plan" means the carbon storage development plan required to be prepared by the Licensee and submitted to the NSTA as part of the Licensee's application for a Storage Permit in relation to the relevant Storage Complex, in accordance with the requirements of the Storage of Carbon Dioxide (Licensing etc.) Regulations 2010;</p> <p>"Change in Law" means the coming into effect after Licence Award of any change:</p> <ul style="list-style-type: none"> (a) to any Legal Requirement which results in the Licensee being required to implement a new Legal Requirement; and/or (b) to any Legal Requirement which applies to the Licensee and impacts on the capital or operational cost of the Project (including any change which results in such Legal Requirement ceasing to apply, being withdrawn or not being renewed); and/ or (c) in the application, interpretation or effect of any Legal Requirement as the result of: <ul style="list-style-type: none"> (i) any judgment given by a court or tribunal of competent jurisdiction and in respect of which the period for making an appeal has expired; or (ii) guidance published by the relevant body of competent jurisdiction, <p>which, in either case, applies (whether exclusively or otherwise) to the Licensee and/or the T&S Network and impacts on the capital or operational cost of the Project;</p> <p>"COD Readiness" means that the Regulator has confirmed to the Licensee that the COD Readiness Activities have been completed pursuant to condition F4.3;</p> <p>"COD Readiness Activities" has the meaning given to it in the APDP;</p> <p>"Competent Auditor" has the meaning given to it in condition H20.6;</p> <p>"Competent Person's Audit" has the meaning given to it in condition H20.2(a);</p> <p>"Competent Person's Report" has the meaning given to it in condition H20.2(b);</p> <p>"Constrained Registered Capacity" has the meaning given to it in condition H17.4(b);</p> <p>"Construction Agreement" has the meaning given to it in the CCS Network Code;</p>
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		<p>"Corrective Measures" has the meaning given to it in The Storage of Carbon Dioxide (Licensing etc.) Regulations 2010;</p> <p>"Corrective Measures Direction" means a direction in respect of Corrective Measures (and/or any measures for the protection of human health) given to the Licensee under The Storage of Carbon Dioxide (Licensing etc.) Regulations 2010;</p> <p>"Corrective Measures Plan" has the meaning given to it in The Storage of Carbon Dioxide (Licensing etc.) Regulations 2010;</p> <p>"Corrective Measures Requirements" has the meaning given to it in condition H19.2(b);</p> <p>"CPR Year" has the meaning given in condition H20.3(a);</p> <p>"Curtailed Nominations" has the meaning given to it in condition H17.4(a);</p> <p>"Delay Notice" means a notice (or notices) served by Licensee and/or the First User under [clause 11.1] of the relevant Construction Agreement;</p> <p>"Delay WACC" means an amount determined in accordance with conditions F13 (WACC) and G9 (WACC);</p> <p>"Discriminatory Change in Law" means a Change in Law that specifically applies to:</p> <ul style="list-style-type: none"> (a) the Project and not to the design, development, construction, completion, testing, commissioning, operation, maintenance and decommissioning of any other project; (b) the T&S Network and not to any other network; or (c) the Licensee and not to any other person; <p>"Event of First User Delay" has the meaning given to it in condition F5.2(a);</p> <p>"First User" means any the User or Users which is/are needed supply the CO₂ required by the Licensee to carry out the Commissioning Activities;</p> <p>"Force Majeure Event" means the occurrence of any of the following events after Licence Award:</p> <ul style="list-style-type: none"> (a) war, invasion, civil war, armed conflict, revolution, insurrection or encountering munitions of war; (b) terrorism; (c) pressure waves caused by devices travelling at supersonic speeds;
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		<p>(d) encountering explosive materials, ionising radiation or contamination by radioactivity except as may be attributable to the Licensee's use of such explosives, radiation or radioactivity;</p> <p>(e) nuclear, chemical or biological contamination unless the source or cause of the contamination is as a result of the Project or any act of the Licensee, its personnel/other employees or its subcontractors; or</p> <p>(f) a Public Health Event,</p> <p>which directly prevents the Licensee from performing one or more of its obligations under the licence, if and to the extent that the Licensee demonstrates to the Regulator that:</p> <p>(i) such impediment is beyond its control;</p> <p>(ii) such event was unforeseeable at Licence Award; and</p> <p>(iii) the effects of the impediment could not have been avoided or overcome or otherwise mitigated by the Licensee;</p> <p>"Handover" means the confirmation by the Regulator of the completion of the Handover Works;</p> <p>["HSE" means the Health and Safety Executive;]</p> <p>"Independent Certifier" means a company or other person:</p> <p>(i) approved by the Regulator; and (ii) appointed by the Licensee, to act as an independent certifier to the Project in accordance with an Independent Certifier's Deed of Appointment;</p> <p>"Independent Certifier's Deed of Appointment" means a deed of appointment of an Independent Certifier in a form approved in advance by the Regulator in writing;</p> <p>"Initial Competent Person's Report" means a Competent Person's Report which was procured by the Licensee prior to Licence Award following a Competent Person's Audit with:</p> <p>(a) such audit carried out in accordance with the requirements set out in condition H20 (<i>Store performance</i>) for the conduct of a Competent Person's Audit; and</p> <p>(b) such report produced in accordance with the requirements set out in condition H20 (<i>Store performance</i>) for the production of (or updating of) a Competent Person's Report;</p> <p>"Longstop Date" means the date which is 12 months following Scheduled COD, as extended in accordance with condition G2 (<i>Obligation to achieve System Acceptance</i>);</p>
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		<p>"Operational Period" has the meaning given to it in condition H1.1;</p> <p>["OPRED" means the Offshore Petroleum Regulator for Environment and Decommissioning, which is a part of the Department for Energy Security and Net Zero;]</p> <p>"Phase 3" means the development activities relating to the T&S Network with associated On-going Devex included in the APDP, as further described in [section 5] of the APDP;</p> <p>"Phases" means Phase 1, Phase 2 and Phase 3, with each being a "Phase";</p> <p>"Planned Initial Users" means the Users designated as such in [section4] of the APDP;</p> <p>"Post-COD WACC" means the WACC which applies on and after COD as set out in conditions G9 (WACC) and H8 (WACC);</p> <p>"Post Commissioning Review" has the meaning given to it in condition H2.2;</p> <p>"Post Construction Review" has the meaning given in condition G10.2;</p> <p>"Preceding Competent Person's Report" has the meaning given in condition H20.3(b);</p> <p>"Pre-COD WACC" means the WACC which applies prior to COD, subject as set out in conditions G9 (WACC) and F13 (WACC);</p> <p>"Pre-Licence Award Devex" means the development costs properly and efficiently incurred by the Licensee in relation to the T&S Business prior to Licence Award, being the amount set out in the Financial Settlement Schedule;</p> <p>"Pre-operations Difference Payment" has the meaning given to it in the RSA;</p> <p>"Project Programme" means the programme for the Project set out in the Technical Details Schedule;</p> <p>"Proposed Revised Scheduled COD" has the meaning given to it in condition G2.5;</p> <p>"Public Health Event" means any epidemic, pandemic, or other national, regional or localised public health event in each case which is recognised after Licence Award as subsisting by the World Health Organization, including without limitation any localised or widespread occurrence of an infectious disease caused by:</p> <ul style="list-style-type: none"> (a) a pathogen, whether bacterial or viral; or (b) any other biological or natural agent,
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		<p>which directly and adversely affects the operations of the T&S Network by the Licensee;</p> <p>"Qualifying Change in Law" means an unforeseeable:</p> <ul style="list-style-type: none"> (a) Discriminatory Change in Law; and (b) Specific Change in Law; <p>"Relief Event" means the occurrence of any of the following events after Licence Award:</p> <ul style="list-style-type: none"> (a) riot (by persons other than the Licensee's personnel and other employees of the Licensee and its subcontractors); (b) natural catastrophe such as earthquake, tsunami, volcanic activity, hurricane or typhoon; and (c) sabotage and acts of vandalism (by persons other than the Licensee's personnel and other employees of the Licensee and its subcontractors), <p>which directly prevents the Licensee from achieving the System Acceptance Date by the Scheduled COD, if and to the extent that the Licensee demonstrates to the Regulator that:</p> <ul style="list-style-type: none"> (i) such impediment is beyond its control; (ii) such event was unforeseeable at Licence Award; and (iii) the effects of the impediment could not have been avoided or overcome or otherwise mitigated by the Licensee; <p>"Remediation Plan" has the meaning given to it in condition H19.1;</p> <p>"Return During Commissioning" has the meaning given to it in condition G8.1;</p> <p>"Return During Construction" has the meaning given to it in condition F12.1;</p> <p>"Revenue Support Agreement" or "RSA" means the revenue support agreement;</p> <p>"Scheduled COD" means the date on which the Commercial Operations Date is scheduled to be achieved as set out in the Technical Details Schedule, as may be extended in accordance with conditions F15 (<i>Change in Scope</i>), F16 (<i>Change in Law</i>), F17 (<i>Force Majeure</i>), F18 (<i>Relief Event</i>), G2 (<i>Obligation to achieve System Acceptance</i>), G12 (<i>Change in Scope</i>), G13 (<i>Change in Law</i>), G14 (<i>Force Majeure</i>) or G15 (<i>Relief Event</i>);</p> <p>"Scheduled Handover Date" means the date set out in the Technical Details Schedule;</p>
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		<p>"Specific Change in Law" means a Change in Law that specifically applies to:</p> <ul style="list-style-type: none"> (a) the provision of services the same or similar to those provided by the Licensee across the T&S Network; or (b) the holding of shares in a company whose main business is providing services the same or similar to those provided by the Licensee across the T&S Network; <p>"SRAV Calculation Period" means a <i>[period to be specified]</i> within a Charging Year;</p> <p>"SRMS Guidelines" means the Guidelines for the Applications of the CO₂ Storage Resources Management System dated July 2022 and issued by the Society of Petroleum Engineers;</p> <p>"Storage Site" has the meaning given to it in the Carbon Dioxide Storage Regulations;</p> <p>Note: <i>checks being run on definition in context of use.</i></p> <p>"System Charging Platform" has the meaning given to it in condition H28.1(b);</p> <p>"System Charging Statement" has the meaning given to it in condition H29.1;</p> <p>"Technical Details Schedule" means Schedule 4 to this licence;</p> <p>"Use of System Charges" means:</p> <ul style="list-style-type: none"> (a) Flow Charges, which shall comprise (i) an Onshore Flow Charge; and (ii) an Offshore Flow Charge; (b) Capacity Charges, which shall comprise (i) an Onshore Capacity Charge; and (ii) an Offshore Capacity Charge; and (c) Network Charges, which shall comprise (i) an Onshore Network Charge; and (ii) an Offshore Network Charge; and <p>Note: <i>It is intended that, initially at least, no separate connection charges will be payable by Users.</i></p> <p>"Use of System Charging Methodology" has the meaning given to it in condition H28 (<i>Use of System Charging Methodology</i>).</p> <p>Unless the context otherwise requires, "carbon dioxide" (or "CO₂") means a stream consisting primarily of carbon dioxide molecules and references to carbon dioxide being delivered by a User to the T&S Network assume that the stream being delivered is carbon dioxide.</p>
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Section F: Construction Period Conditions

1.	Construction Period	<p>1.1 The Construction Period is the period from Licence Award to the Handover Date.</p> <p><i>Note: the Handover Date is the date on which the Regulator confirms that the Handover Works have been completed and the first day of the Commissioning Period.</i></p> <p>1.2 The Construction Period is within the First Regulatory Period.</p>
2.	Obligation to achieve Handover	<p>2.1 During the Construction Period, the Licensee shall:</p> <ul style="list-style-type: none"> (a) design, finance and construct the Handover Works; (b) in doing so, use reasonable endeavours to achieve completion of the Handover Works by the Scheduled Handover Date. <p><i>Note: it is recognised that phasing of construction/commissioning activities for the works envisaged by the Approved Project Development Plan may be required depending on the Licensee's proposed technical solution. Tailoring of the licence may therefore be required for the inclusion of phasing mechanics, where relevant.</i></p> <p>2.2 The Licensee shall provide quarterly updates to the Regulator in each Charging Year during the Construction Period in the form agreed with the Regulator, setting out the Licensee's progress in relation to the Project Programme.</p> <p>2.3 As soon as reasonably practicable after the Licensee becomes aware that it is reasonably likely to fail to achieve Handover by the Scheduled Handover Date, it shall notify the Regulator in writing of such probable failure.</p> <p>2.4 These licence conditions for the Construction Period shall continue to apply until the Handover Date is achieved.</p>
3.	Handover Date	<p>3.1 The Handover Date shall be the date when Handover is achieved, as confirmed by the Regulator pursuant to this condition F3 (<i>Handover Date</i>).</p> <p>3.2 The Licensee shall give the Regulator no less than 25 Business Days' notice in writing of the date that it anticipates the Handover Works will be completed, and, in the event that such date changes, the Licensee shall as soon as reasonably practicable give the Regulator notice in writing of the revised date of anticipated completion.</p>

		<p>3.3 The Licensee shall provide to the Regulator evidence from an Independent Certifier in the form of a certificate certifying that the Independent Certifier is satisfied that the Handover Works have been completed in accordance with this licence and the relevant Legal Requirements, together with any further evidence that the Regulator has notified the Licensee that it requires in respect of the completion of the Handover Works.</p> <p>3.4 Within 20 Business Days of receipt, the Regulator shall consider the evidence provided by the Licensee in respect of the completion of the Handover Works and shall:</p> <ul style="list-style-type: none"> (a) confirm that the Handover Works are complete and Handover has been achieved; or (b) confirm that the Handover Works are not complete; or (c) require further evidence from the Licensee to confirm whether the Handover Works have been completed. <p>3.5 Where the Regulator:</p> <ul style="list-style-type: none"> (a) confirms under condition F3.4(b) that the Handover Works are not complete, the Licensee shall refer the matter back to the Independent Certifier and the procedures in conditions F3.3 and F3.4 shall be repeated; or (b) requires further evidence from the Licensee under condition F3.4(c), the Licensee shall provide such evidence to the Regulator and the procedure in condition F3.4 shall be repeated, <p>in each case until the Regulator confirms that the Handover Works are complete and Handover has been achieved.</p>
4.	COD Readiness	<p>4.1 Where the Licensee wishes to achieve COD Readiness for the purposes of condition F5 (<i>First User Delay</i>), the Licensee shall provide to the Regulator evidence from an Independent Certifier in the form of a certificate certifying that the Independent Certifier is satisfied that the COD Readiness Activities have been completed, together with any further evidence that the Regulator has notified the Licensee that it requires in respect of the completion of the COD Readiness Activities.</p> <p>4.2 Within [20] Business Days of receipt, the Regulator shall consider the evidence provided in respect of the completion of the COD Readiness Activities and shall:</p> <ul style="list-style-type: none"> (a) confirm:

		<ul style="list-style-type: none"> (i) that the COD Readiness Activities are complete; (ii) that COD Readiness has been achieved; and (iii) the date on which COD Readiness was achieved, being the date on which the Licensee provided all evidence in respect of the completion of the COD Readiness Activities required by the Regulator in accordance with this condition F4; or <p>(b) confirm that the COD Readiness Activities are not complete; or</p> <p>(c) require further evidence from the Licensee to confirm whether the COD Readiness Activities have been completed.</p> <p>4.3 Where the Regulator:</p> <ul style="list-style-type: none"> (a) confirms under condition F4.2(b) that the COD Readiness Activities are not complete, the Licensee shall refer the matter back to the Independent Certifier and the procedures in conditions F4.2 and F4.3 shall be repeated; or (b) requires further evidence from the Licensee under condition F4.2(c), the Licensee shall provide such evidence to the Regulator and the procedure in condition F4.2 shall be repeated, <p>in each case until the Regulator confirms to the Licensee that the COD Readiness Activities are complete and COD Readiness has been achieved.</p>
5.	First User Delay	<p>5.1 Where the Licensee:</p> <ul style="list-style-type: none"> (a) has achieved COD Readiness; and (b) reasonably believes that one or more First User is causing, or shall cause, delay to COD beyond the Scheduled COD, the Licensee shall: <ul style="list-style-type: none"> (i) provide to the Regulator a copy of the relevant Delay Notice(s); and (ii) use reasonable endeavours to mitigate the impact of the action or inaction of such First User(s). <p>5.2 Following receipt of a copy of a Delay Notice (or Delay Notices) from the Licensee, the Regulator shall, having considered the circumstances of the relevant delay as detailed in the Delay Notice(s) provided by the Licensee under condition F5.1(b) above:</p>

		<p>(a) confirm that it is satisfied that the delay is, or was, caused by one or more First User(s), in which case, the Regulator shall confirm that an "Event of First User Delay" has occurred, the date on which such Event of First User Delay occurred, and the period of delay caused by the Event of First User Delay; or</p> <p>(b) confirm that the delay is, or was, not caused by one or more First User(s); or</p> <p>(c) require further evidence from the Licensee to confirm whether the delay is, or was, caused by one or more First User(s).</p> <p>5.3 Where the Regulator requires further information from the Licensee under condition F5.2(c), the Licensee shall provide such evidence to the Regulator and the procedure in condition F5.2 shall be repeated.</p>
6.	SRAV build-up	<p>6.1 During the Construction Period:</p> <p>(a) the Re-use Assets Valuation (if any);</p> <p>(b) the SRAV Capex as referenced in condition F8 (<i>SRAV Capex (Handover Works)</i>);</p> <p>(c) the Pre-Licence Award Devex;</p> <p>(d) the Opex;</p> <p>(e) the On-going Devex as referenced in condition F11 (<i>On-going Devex</i>);</p> <p>(f) [Pass Through Costs];</p> <p>(g) the Return During Construction; and</p> <p>(h) the licence fees payable in accordance with condition A2 (<i>Payments by the Licensee to the Regulator</i>),</p> <p>will accrue to an SRAV in accordance with the provisions of this section F.</p> <p>Note: details of Pass Through Costs to be included in cost treatment paper.</p> <p>6.2 SRAV, including Return During Construction calculated in accordance with condition F13 (<i>Return during construction</i>), will build up over an SRAV Calculation Period and will be moved on to the RAV in accordance with condition G10 (<i>Post Construction Review</i>).</p> <p>6.3 Where the Construction Period includes part of a year, the calculation for that part of a Charging Year shall be apportioned.</p>

		6.4 SRAV will be measured and maintained in real CPIH terms, with reference to the Base Year. Where required, additions to SRAV will be adjusted to align with this price basis.
7.	Re-use Assets	<p>Note: <i>it is recognised that certain oil and gas assets could be purchased and repurposed for T&S purposes (referred to here as the "Re-use Assets"), as a cost-saving mechanism by comparison to building completely new assets.</i></p> <p><i>The process for the valuation of any Re-use Assets is being developed separately.</i></p>
8.	SRAV Capex (Handover Works)	Note: <i>T&SCo to refer to separate cost treatment paper.</i>
9.	Opex	Note: <i>T&SCo to refer to separate cost treatment paper.</i>
10.	Pre-Licence Award Devex	<p>10.1 The Pre-Licence Award Devex will be added to the SRAV at Licence Award at:</p> <p>$\text{Value}_{\text{nominal}} \times \text{CPIH}_{\text{BaseYear}}$ divided by $\text{CPIH}_{\text{LicenceAwardDate}}$,</p> <p>where:</p> <p>$\text{Value}_{\text{nominal}}$ = the value in a nominal price base or in prices of a year other than the Base Year;</p> <p>$\text{CPIH}_{\text{BaseYear}}$ = the average value of each of the 12 monthly values of CPIH_m from 1 April to 31 March within the Base Year; and</p> <p>$\text{CPIH}_{\text{LicenceAwardDate}}$ = the CPIH index at Licence Award.</p> <p>Note:</p> <ul style="list-style-type: none"> <i>T&SCo to refer to separate guidance for cost assessment, which includes assessment of Pre-Licence Award Devex.</i> <i>Agreed Pre-Licence Award Devex to be included in the Financial Settlement Schedule.</i>
11.	On-going Devex	Note: <i>T&SCo to refer to separate cost treatment paper.</i>
12.	Return During Construction	<p>12.1 Return During Construction is an allowance for interest charges on the financing of and other costs of capital in relation to the Handover Works.</p> <p>Note: <i>position regarding specific financing costs such as commitment fees, arranging fees, hedging costs, hedge margin, etc., to be reviewed as part of the ongoing finance workstream.</i></p>

		<p>12.2 The Return During Construction will be calculated as follows:</p> <p>For any SRAV Calculation Period, Return During Construction = WACC x SRAV</p> <p>where:</p> <p>WACC = an amount determined in accordance with condition F13 (WACC); and</p> <p>SRAV = the opening balance of the SRAV (calculated in accordance with condition F6 (SRAV build-up)) for that SRAV Calculation Period.</p> <p>Note: to be updated once the calculation methodology has been settled.</p>
13.	WACC	<p>13.1 Subject to condition F13.2:</p> <p>(a) WACC for the period up to (but excluding) the COD is the Pre-COD WACC, being the amount set out in the Financial Settlement Schedule for the Pre-COD WACC; and</p> <p>(b) WACC for the period from (and including) the COD is the Post-COD WACC, being the amount set out in the Financial Settlement Schedule for the Post-COD WACC,</p> <p>and any references to WACC in this section F (Construction Period Conditions) shall be construed accordingly.</p> <p>13.2 Delay WACC as set out in the Financial Settlement Schedule will apply as set out in conditions G9.1 to G9.2.</p>
14.	Indexation	<p>14.1 During the Construction Period, the SRAV will be measured and maintained in real CPIH terms, with reference to the Base Year.</p> <p>14.2 Where variable values need to be deflated from a nominal price base to Base Year prices, the following formula will be used:</p> $\text{Value}_{\text{BaseYear prices}} = \text{Value}_{\text{nominal}} \times \text{CPIH}_{\text{BaseYear}} \text{ divided by } \text{CPIH}_m$ <p>where:</p> <p>$\text{Value}_{\text{BaseYear prices}}$ = the deflated/restated value in Base Year prices;</p> <p>$\text{Value}_{\text{nominal}}$ = the value in a nominal price base or in prices of a Charging Year other than the Base Year;</p>

		<p>$CPIH_{BaseYear}$ = the average value of each of the 12 monthly values of $CPIH_m$ from 1 April to 31 March within the Base Year; and</p> <p>$CPIH_m$ = the value of CPIH for the month m.</p>
15.	Change in Scope	<p>15.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Change in Scope during the Construction Period and shall provide details in respect of such Change in Scope to the Regulator together with its analysis of the effects, or likely effects, of such Change in Scope, including but not limited to:</p> <ul style="list-style-type: none"> (a) any adjustments to the Revenue Calculations as a result of the Change in Scope, including without limitation: <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and (ii) the impact on any ex post assessments of the economic and efficient expenditure by the Licensee; (b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Change in Scope: <ul style="list-style-type: none"> (i) for such period as is necessary having regard to the Change in Scope; or (ii) until such time as the obligations have been amended to reflect the impact of the Change in Scope; (c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Change in Scope; (d) any adjustments to key milestone dates (including the Scheduled Handover Date, the Scheduled COD and/or the Longstop Date) to take account of the impact of the Change in Scope;

Part III: Special Conditions
Section F: Construction Period Conditions

		<p>(e) the inclusion of new construction periods or operational periods (and associated SRAVs) in respect of the Change in Scope (see condition E2 (<i>T&S Network expansion and additional construction, commissioning and operational periods</i>) above); and/or</p> <p>(f) any adjustments to the WACC for the Construction Period as determined in accordance with condition F13 (<i>WACC</i>).</p> <p>15.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee.</p> <p>15.3 Following notification by the Licensee under condition F15.1, the Licensee shall provide to the Regulator any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Change in Scope.</p>
16.	Change in Law	<p>16.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Qualifying Change in Law, or potential Qualifying Change in Law, during the Construction Period and shall provide details in respect of such Qualifying Change in Law or potential Qualifying Change in Law to the Regulator together with its analysis of the effects, or likely effects, of such Qualifying Change in Law including but not limited to:</p> <p>(a) any adjustments to key milestone dates (including the Scheduled Handover Date, the Scheduled COD and/or the Longstop Date) to take account of the impact of the Qualifying Change in Law;</p> <p>(b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Qualifying Change in Law:</p> <p>(i) for such period as is necessary having regard to the Qualifying Change in Law; or</p> <p>(ii) until such time as the obligations have been amended to reflect the impact of the Qualifying Change in Law;</p> <p>(c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Qualifying Change in Law;</p> <p>(d) any adjustments to the Revenue Calculations as a result of the Qualifying Change in Law, including without limitation:</p>

		<p>(i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and</p> <p>(ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for any Qualifying Changes in Law; and/or</p> <p>(e) any adjustments to the WACC for the Construction Period as determined in accordance with condition F13 (WACC).</p> <p>16.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee to reflect such impact.</p> <p>16.3 Following notification by the Licensee under condition F16.1, the Licensee shall provide to the Regulator:</p> <p>(a) any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Qualifying Change in Law or potential Qualifying Change in Law; and</p> <p>(b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition F16.2, satisfactory evidence to the Regulator that the Qualifying Change in Law affects construction and/or the cost impact to On-going Devex, Capex or Opex.</p> <p>16.4 The amount of any increases to the Licensee's costs pursuant to condition F16.2 shall be subject to the Licensee providing satisfactory evidence that the Qualifying Change in Law affects construction and/or the cost impact to On-going Devex, Capex or Opex pursuant to condition F16.3.</p>
17.	Force Majeure	<p>17.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Force Majeure Event, or potential Force Majeure Event, during the Construction Period, and shall provide details in respect of such Force Majeure Event or potential Force Majeure Event to the Regulator together with its analysis of the effects, or likely effects, of such Force Majeure Event including but not limited to:</p> <p>(a) any adjustments to key milestone dates (including the Scheduled Handover Date, the Scheduled COD and/or the Longstop Date) to</p>

Part III: Special Conditions
Section F: Construction Period Conditions

		<p>take account of the impact of the Force Majeure Event;</p> <p>(b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Force Majeure Event:</p> <p>(i) for such period as is necessary having regard to the Force Majeure Event; or</p> <p>(ii) until such time as the obligations have been amended to reflect the impact of the Force Majeure Event;</p> <p>(c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Force Majeure Event;</p> <p>(d) any adjustments to the Revenue Calculations as a result of the Force Majeure Event, including without limitation:</p> <p>(i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and</p> <p>(ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for any Force Majeure Event; and/or</p> <p>(e) any adjustments to the WACC for the Construction Period as determined in accordance with condition F13 (WACC).</p> <p>17.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee to reflect such impact.</p> <p>17.3 Following notification by the Licensee under condition F17.1, the Licensee shall provide to the Regulator:</p> <p>(a) any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Force Majeure Event or potential Force Majeure Event; and</p>
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Part III: Special Conditions
Section F: Construction Period Conditions

		<p>(b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition F17.2, satisfactory evidence to the Regulator that the Force Majeure Event affects construction and/or the cost impact to On-going Devex, Capex or Opex.</p> <p>17.4 The amount of any increases to the Licensee's costs pursuant to condition F17.2 shall be subject to the Licensee providing satisfactory evidence that the Force Majeure Event affects construction and/or the cost impact to On-going Devex, Capex or Opex pursuant to condition F17.3.</p>
18.	Relief Event	<p>18.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Relief Event, or potential Relief Event, during the Construction Period, and shall provide details in respect of such Relief Event or potential Relief Event to the Regulator together with its analysis of the effects, or likely effects, of such Relief Event on the Scheduled COD.</p> <p>18.2 The Regulator will determine the impact on the Scheduled COD and any extensions to be provided to the Scheduled COD to reflect such impact.</p> <p>18.3 Following notification by the Licensee under condition F18.1, the Licensee shall provide to the Regulator any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Relief Event or potential Relief Event.</p> <p>Note: <i>Relief Event mechanism to be amended in full form drafting to so that it will operate to extend the Handover Date and Longstop Date (as applicable), as well as the Scheduled COD.</i></p>

Section G: Commissioning Period Conditions

1.	Commissioning Period	<p>1.1 The Commissioning Period is the period from (and including) the Handover Date to the Commercial Operations Date.</p> <p><i>Note: the Commercial Operations Date will be when the T&S Network has passed all its commissioning tests, marking the end of the Commissioning Activities and the start of the Operational Period.</i></p> <p>1.2 The Commissioning Period is within the First Regulatory Period.</p>
2.	Obligation to achieve System Acceptance	<p>2.1 During the Commissioning Period, the Licensee shall:</p> <ul style="list-style-type: none"> (a) complete the Commissioning Activities; and (b) in doing so, use reasonable endeavours to achieve System Acceptance by the Scheduled COD. <p>2.2 The Licensee shall achieve System Acceptance by the Longstop Date.</p> <p>2.3 The Licensee shall provide quarterly updates to the Regulator in each Charging Year during the Commissioning Period in the form agreed with the Regulator, setting out the Licensee's progress in relation to the Project Programme.</p> <p>2.4 As soon as reasonably practicable after the Licensee becomes aware that it is reasonably likely to fail to achieve (i) the Scheduled COD; and/or (ii) System Acceptance by the Longstop Date:</p> <ul style="list-style-type: none"> (a) it shall notify the Regulator in writing of such probable failure; and (b) these licence conditions for the Commissioning Period shall continue to apply until the Commercial Operations Date. <p>2.5 Where the Regulator has confirmed an Event of First User Delay pursuant to condition F5.2(a), promptly following a notification by the Licensee under condition G2.4 regarding a consequent delay to the Scheduled COD, the Licensee shall calculate the date on which the Licensee anticipates the delayed Commercial Operations Date shall occur (a "Proposed Revised Scheduled COD").</p>

		<p>2.6 When calculating a Proposed Revised Scheduled COD, the Licensee shall:</p> <ul style="list-style-type: none"> (a) act reasonably and in accordance with Good Industry Practice; (b) take into account all relevant circumstances, including the need to mitigate delay and/or the impact of delay on the Commissioning Activities; and (c) act in a transparent and proportionate manner. <p>2.7 Where conditions G2.4, G2.5 and G2.6 apply:</p> <ul style="list-style-type: none"> (a) the Licensee shall promptly notify the Regulator of the relevant Proposed Revised Scheduled COD and shall provide to the Regulator upon request satisfactory evidence that, when calculating such Proposed Revised Scheduled COD, the Licensee complied with the requirements of condition G2.6; (b) following receipt of the notice referred to in condition G2.7(a), the Regulator shall consider the relevant Proposed Revised Scheduled COD, together with any evidence provided by the Licensee in respect of the calculation of such date and shall: <ul style="list-style-type: none"> (i) confirm that such Proposed Revised Scheduled COD is accepted and, for the purposes of these licence conditions, shall apply by way of extension to the Scheduled COD; or (ii) confirm that such Proposed Revised Scheduled COD is not accepted; or (iii) require further evidence from the Licensee in respect of such Proposed Revised Scheduled COD and its calculation; and (c) where the Regulator: <ul style="list-style-type: none"> (i) confirms under condition G2.7(b)(ii) that a Proposed Revised Scheduled COD is not accepted, the Licensee shall revisit its calculation of the relevant Proposed Revised Scheduled COD and the procedures in conditions G2.7(a) and G2.7(b) shall be repeated; or
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		<p>(ii) requires further evidence from the Licensee under condition G2.7(b)(iii), the Licensee shall provide such evidence to the Regulator and the procedure in condition G2.7(b) shall be repeated,</p> <p>in each case until the Regulator confirms that a Proposed Revised Scheduled COD is accepted and, for the purposes of these licence conditions, shall apply by way of extension to the Scheduled COD.</p> <p>2.8 Where the Licensee (i) notifies the Regulator under condition G2.4 that it is reasonably likely to fail to achieve System Acceptance by the Longstop Date; and/or (ii) fails to achieve System Acceptance by the Longstop Date:</p> <p>(a) the Licensee must provide a remedial plan to the Regulator, as soon as reasonably practicable, and, unless otherwise agreed by the Regulator, in any event within 20 Business Days of the date of (i) the notice; or (ii) failure (as the case may be), setting out the steps which the Licensee intends to take to address the cause(s) of delay to System Acceptance and to achieve System Acceptance;</p> <p>(b) the Regulator shall be entitled to raise comments on any proposed remedial plan and the Licensee shall take account of such comments and, where appropriate, the Licensee shall issue a revised remedial plan to the Regulator as soon as reasonably practicable;</p> <p>(c) the Regulator shall review the revised remedial plan and either confirm that its comments have been addressed or identify any of its comments which have not been addressed;</p> <p>(d) if the Regulator identifies pursuant to condition G2.8(c) that any of its comments have not been addressed, the Licensee shall issue a further revised remedial plan which addresses such comments and/or shall set out in writing an explanation as to why it has not addressed any such comments; and</p> <p>(e) the Licensee must use reasonable endeavours to implement and comply with any such remedial plan (as may be revised in accordance with conditions G2.8(b) to 2.8(d)) so as to achieve System Acceptance</p>
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		<p>by the date proposed in the relevant remedial plan.</p> <p>2.9 The Longstop Date will be extended by such additional time as the Licensee requires to achieve System Acceptance as set out in its remedial plan (as revised in accordance with conditions G2.8(b) to 2.8(d)), provided that the extension shall be a maximum of 12 months from the original Longstop Date without any extension pursuant to this condition G2.9.</p>
3.	System Acceptance/Commercial Operations Date	<p>3.1 The Commercial Operations Date shall be the date when System Acceptance is achieved, as confirmed by the Regulator pursuant to this condition G3 (<i>System Acceptance/Commercial Operations Date</i>).</p> <p>3.2 The Licensee shall give the Regulator no less than 25 Business Days' notice in writing of the date that it anticipates that the Commissioning Activities will be completed, and, in the event that such date changes, the Licensee shall as soon as reasonably practicable give the Regulator notice in writing of the revised date of anticipated completion.</p> <p>3.3 The Licensee shall provide to the Regulator evidence from an Independent Certifier in the form of a certificate certifying that the Independent Certifier is satisfied that the Commissioning Activities have been completed, together with any further evidence that the Regulator has notified the Licensee that it requires in respect of the completion of the Commissioning Activities.</p> <p>3.4 Within 20 Business Days of receipt, the Regulator shall consider the evidence provided in respect of the completion of the Commissioning Activities and shall:</p> <p>(a) confirm:</p> <p>(i) that the Commissioning Activities are complete;</p> <p>(ii) that System Acceptance has been achieved; and</p> <p>(iii) the date on which System Acceptance was achieved, being the date on which the Licensee provided all evidence in respect of the completion of the Commissioning Activities required by the Regulator in accordance with this condition G3;</p> <p>(b) confirm that the Commissioning Activities are not complete; or</p>

		<p>(c) require further evidence from the Licensee to confirm whether the Commissioning Activities have been completed.</p> <p>3.5 Where the Regulator:</p> <p>(a) confirms under condition G3.4(b) that the Commissioning Activities are not complete, the Licensee shall refer the matter back to the Independent Certifier and the procedures in conditions G3.2 to G3.4 shall be repeated; or</p> <p>(b) requires further evidence from the Licensee under condition G3.4(c), the Licensee shall provide such evidence to the Regulator and the procedure in condition G3.4 shall be repeated,</p> <p>in each case until the Regulator confirms that the Commissioning Activities are complete and System Acceptance has been achieved.</p>
4.	SRAV build-up	<p>4.1 During the Commissioning Period:</p> <p>(a) the SRAV Capex as referenced in condition G5 (<i>SRAV Capex (Commissioning Activities)</i>);</p> <p>(b) the Opex;</p> <p>(c) any On-going Devex as referenced in condition G7 (<i>On-going Devex</i>);</p> <p>(d) [Pass Through Costs];</p> <p>(e) the Return During Commissioning; and</p> <p>(f) the licence fees payable in accordance with condition A2 (<i>Payments by the Licensee to the Regulator</i>),</p> <p>will accrue to an SRAV in accordance with the provisions of this section G (<i>Commissioning Period Conditions</i>).</p> <p>Note: details of Pass Through Costs to be included in cost treatment paper.</p> <p>4.2 SRAV, including Return During Commissioning calculated in accordance with condition G8 (<i>Return during Commissioning</i>), will build up over an SRAV Calculation Period and will be moved on to the RAV in accordance with condition H2 (<i>Post Commissioning Review</i>).</p>

Part III: Special Conditions
Section G: Commissioning Period Conditions

		<p>4.3 Where the Commissioning Period includes part of a year, the calculation for that part of a Charging Year shall be apportioned.</p> <p>4.4 SRAV will be measured and maintained in real CPIH terms, with reference to the Base Year. Where required, additions to SRAV will be adjusted to align with this price basis.</p> <p>Note: the working assumption is that delivery of CO₂ by First Users will be free of charge.</p>
5.	SRAV (Commissioning Activities) Capex	Note: T&SCo to refer to separate cost treatment paper.
6.	Opex	Note: T&SCo to refer to separate cost treatment paper.
7.	On-going Devex	Note: T&SCo to refer to separate cost treatment paper.
8.	Return During Commissioning	<p>8.1 Return During Commissioning is an allowance for interest charges on the financing of and other costs of capital in relation to the Commissioning Activities.</p> <p>8.2 The Return During Commissioning will be calculated as follows: For any SRAV Calculation Period, Return During Commissioning = WACC x SRAV where: WACC = an amount determined in accordance with condition G9 (WACC); and SRAV = the opening balance of the SRAV for that SRAV Calculation Period.</p> <p>8.3 If any Pre-operations Difference Payment becomes payable under the RSA, then the Return During Commissioning shall be reduced by reference to the amount of the Pre-operations Difference Payment that relates to the allowed cost of debt.</p> <p>Note: to be updated once the calculation methodology has been settled.</p>
9.	WACC	<p>9.1 Subject to condition G9.2:</p> <p>(a) WACC for the period up to (but excluding) the COD is the Pre-COD WACC, being the amount set out in the Financial Settlement Schedule for the Pre-COD WACC; and</p> <p>(b) WACC for the period from (and including) the COD is the Post-COD WACC, being the</p>

Part III: Special Conditions
Section G: Commissioning Period Conditions

		<p>amount set out in the Financial Settlement Schedule for the Post-COD WACC,</p> <p>and any references to WACC in this section G shall be construed accordingly.</p> <p>9.2 Where COD is not achieved by the Scheduled COD, Delay WACC shall apply from the Scheduled COD until COD, but will not apply to the extent Scheduled COD is subsequently extended and such extended Scheduled COD has not yet been reached and only from the date of the event which gives rise to the extended Scheduled COD.</p>
10.	Post Construction Review	<p>10.1 The Licensee shall provide the Regulator with all such information as the Regulator may require to enable it to carry out the Post Construction Review and other activities under this condition G10 (<i>Post Construction Review</i>), including:</p> <ul style="list-style-type: none"> (a) forecasted figures for the Construction Period, which shall be provided no later than [●] Business Days prior to the anticipated Handover Date; and (b) actual figures for the Construction Period, which shall be provided no later than [●] Business Days following the Handover Date. <p>10.2 Following the Handover Date, the Regulator shall undertake a review of the Construction Period (a "Post Construction Review"), which shall include a preliminary reconciliation of the SRAV for the Construction Period. This preliminary reconciliation will be based on forecasted figures for the Construction Period provided by the Licensee under condition G10.1(a).</p> <p>10.3 On the Commercial Operations Date, the reconciled SRAV (as referred to in condition G10.2 above), including the rolled-up Return During Construction, will be moved to the RAV.</p> <p>10.4 Adjustments for a final reconciliation based on the actual figures for the Construction Period provided by the Licensee under condition G10.1(b) will be applied to the calculation of Allowed Revenue and RAV as part of the first annual iteration process (referenced in condition H16.1(b)).</p>
11.	Indexation	<p>11.1 During the Commissioning Period, the SRAV will be measured and maintained in real CPIH terms, with reference to the Base Year.</p> <p>11.2 Where variable values need to be deflated from a nominal price base to Base Year prices, the following formula will be used:</p>

Part III: Special Conditions
Section G: Commissioning Period Conditions

		<p>$\text{Value}_{\text{BaseYear prices}} = \text{Value}_{\text{nominal}} \times \text{CPIH}_{\text{BaseYear}} \text{ divided by } \text{CPIH}_m$</p> <p>where:</p> <p>$\text{Value}_{\text{BaseYear}}$ = the deflated/restated value in Base Year prices;</p> <p>$\text{Value}_{\text{nominal}}$ the value in a nominal price base or in prices of a Charging Year other than the Base Year;</p> <p>$\text{CPIH}_{\text{BaseYear}}$ = the average value of each of the 12 monthly values of CPIH_m from 1 April to 31 March within the Base Year; and</p> <p>CPIH_m = the value of CPIH for the month m.</p>
12.	Change in Scope	<p>12.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Change in Scope during the Commissioning Period and shall provide details in respect of such Change in Scope to the Regulator together with its analysis of the effects, or likely effects, of such Change in Scope, including but not limited to:</p> <p>(a) any adjustments to the Revenue Calculations as a result of the Change in Scope, including without limitation:</p> <p>(i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and</p> <p>(ii) the impact on any ex post assessments of the economic and efficient expenditure by the Licensee;</p> <p>(b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Change in Scope:</p> <p>(i) for such period as is necessary having regard to the Change in Scope; or</p> <p>(ii) until such time as the obligations have been amended to reflect the impact of the Change in Scope;</p>

Part III: Special Conditions
Section G: Commissioning Period Conditions

		<p>(c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Change in Scope;</p> <p>(d) any adjustments to key milestone dates (including the Scheduled COD and/or the Longstop Date) to take account of the impact of the Change in Scope;</p> <p>(e) the inclusion of new construction periods or operational periods (and associated SRAVs) in respect of the Change in Scope (see condition E2 (<i>T&S Network expansion and additional construction, commissioning and operational periods</i>) above); and/or</p> <p>(f) any adjustments to the WACC for the Commissioning Period as determined in accordance with condition G9 (WACC).</p> <p>12.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee.</p> <p>12.3 Following notification by the Licensee under condition G12.1, the Licensee shall provide to the Regulator any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Change in Scope.</p>
13.	Change in Law	<p>13.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Qualifying Change in Law, or potential Qualifying Change in Law, during the Commissioning Period and shall provide details in respect of such Qualifying Change in Law or potential Qualifying Change in Law to the Regulator together with its analysis of the effects, or likely effects, of such Qualifying Change in Law including but not limited to:</p> <p>(a) any adjustments to key milestone dates (including the Scheduled COD and/or the Longstop Date) to take account of the impact of the Qualifying Change in Law;</p> <p>(b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Qualifying Change in Law:</p> <p>(i) for such period as is necessary having regard to the Qualifying Change in Law; or</p>

		<ul style="list-style-type: none"> (ii) until such time as the obligations have been amended to reflect the impact of the Qualifying Change in Law; (c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Qualifying Change in Law; (d) any adjustments to the Revenue Calculations as a result of the Qualifying Change in Law, including without limitation: <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and (ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for any Qualifying Changes in Law; and/or (e) any adjustments to the WACC for the Commissioning Period as determined in accordance with condition G9 (WACC).
	13.2	The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee to reflect such impact.
	13.3	<p>Following notification by the Licensee under condition G13.1, the Licensee shall provide to the Regulator:</p> <ul style="list-style-type: none"> (a) any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Qualifying Change in Law or potential Qualifying Change in Law; and (b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition G13.2, satisfactory evidence to the Regulator that the Qualifying Change in Law affects construction and/or the cost impact to On-going Devex, Capex or Opex.
	13.4	The amount of any increases to the Licensee's costs pursuant to condition G13.2 shall be subject to the

		Licensee providing satisfactory evidence that the Qualifying Change in Law affects construction and/or the cost impact to On-going Devex, Capex or Opex pursuant to condition G3.3.
14.	Force Majeure	<p>14.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Force Majeure Event, or potential Force Majeure Event, during the Commissioning Period, and shall provide details in respect of such Force Majeure Event or potential Force Majeure Event to the Regulator together with its analysis of the effects, or likely effects, of such Force Majeure Event including but not limited to:</p> <ul style="list-style-type: none"> (a) any adjustments to key milestone dates (including the Scheduled COD and/or the Longstop Date) to take account of the impact of the Force Majeure Event; (b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Force Majeure Event: <ul style="list-style-type: none"> (i) for such period as is necessary having regard to the Force Majeure Event; or (ii) until such time as the obligations have been amended to reflect the impact of the Force Majeure Event; (c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Force Majeure Event; (d) any adjustments to the Revenue Calculations as a result of the Force Majeure Event, including without limitation: <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) (including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of SRAV Capex, Opex, On-going Capex or On-going Devex); and (ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for any Force Majeure Event; and/or

Part III: Special Conditions
Section G: Commissioning Period Conditions

		<p>(e) any adjustments to the WACC for the Commissioning Period as determined in accordance with condition G9 (WACC).</p> <p>14.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee to reflect such impact.</p> <p>14.3 Following notification by the Licensee under condition G14.1, the Licensee shall provide to the Regulator:</p> <p>(a) any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Force Majeure Event or potential Force Majeure Event; and</p> <p>(b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition G14.2, satisfactory evidence to the Regulator that the Force Majeure Event affects construction and/or the cost impact to On-going Devex, Capex or Opex.</p> <p>14.4 The amount of any increases to the Licensee's costs pursuant to condition G14.2 shall be subject to the Licensee providing satisfactory evidence that the Force Majeure Event affects construction and/or the cost impact to On-going Devex, Capex or Opex pursuant to condition G14.3.</p>
15.	Relief Event	<p>15.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Relief Event, or potential Relief Event, during the Commissioning Period, and shall provide details in respect of such Relief Event or potential Relief Event to the Regulator together with its analysis of the effects, or likely effects, of such Relief Event on the Scheduled COD.</p> <p>15.2 The Regulator will determine the impact on the Scheduled COD and any extensions to be provided to the Scheduled COD to reflect such impact.</p> <p>15.3 Following notification by the Licensee under condition G15.1, the Licensee shall provide to the Regulator any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Relief Event or potential Relief Event.</p> <p>Note: <i>Relief Event mechanism to be amended in full form drafting to so that it will operate to extend the Longstop Date, as well as the Scheduled COD.</i></p>

Section H: Operational Period Conditions

1.	Operational Period	1.1	The Operational Period is the period from the end of the Commissioning Period to revocation of the licence. This means that the Operational Period will start during the First Regulatory Period (after the Construction Period and Commissioning Period) and continue in the second and subsequent regulatory periods.
2.	Post Commissioning Review	2.1	<p>The Licensee shall provide the Regulator with such information as the Regulator may require to enable it to carry out the Post Commissioning Review and other activities under this condition H2 (<i>Post Commissioning Review</i>), including:</p> <ul style="list-style-type: none"> (a) figures for the Commissioning Period, which shall be provided no later than [●] Business Days following the Commercial Operations Date; and (b) figures and other information required for the purpose of determining (having regard to all relevant circumstances) the Allowed Revenue for each Charging Year following the Commercial Operations Date until the date of conclusion of the first annual iteration process (referenced in condition H16.1(b)).
		2.2	Following the Commercial Operations Date, the Regulator shall undertake a review of the Commissioning Period (a " Post Commissioning Review "), which shall include calculating adjustments for a reconciliation based on the figures for the Commissioning Period provided by the Licensee under condition H2.1(a) to be applied to the calculation of Allowed Revenue and RAV as part of the first annual iteration process (referenced in condition H16.1(b)).
3.	Allowed Revenue: summary	3.1	Allowed Revenue is the annual amount that the Licensee is entitled to recover, calculated according to the building blocks set out in condition H5 (<i>Allowed Revenue calculation</i>).
		3.2	Allowed Revenue will be calculated and verified on an annual basis and calibrated periodically (for example, every five years) during a Periodic Review.
		3.3	Allowed Revenue for the initial period of the Operational Period shall be calculated as set out in condition G10 (<i>Post Construction Review</i>). The Allowed Revenue will then be adjusted to reflect the reconciliation of the SRAV for the Commissioning Period undertaken at the Post Commissioning Review (see condition H2 (<i>Post Commissioning Review</i>)).
4.	Regulatory period	4.1	Following the end of the First Regulatory Period, Periodic Reviews shall take place, for example, every five years.

		<p>4.2 The Licensee shall provide the Regulator with such information as the Regulator may require to enable it to carry out each Periodic Review, including for the purpose of determining (having regard to all relevant circumstances) the Allowed Revenue for each Charging Year during each Periodic Review period (subject to any relevant annual iteration process (referenced in condition H16.1(b))).</p> <p>4.3 The length of the second (or another subsequent) regulatory period may be adjusted by the Regulator (in advance of the regulatory period commencing) so that the regulatory periods of different T&S networks are synchronised, if it is considered desirable for price controls of different T&S networks to take place at the same time.</p> <p>Note: <i>it is intended that the economic guidance will include reference to the factors that the Regulator will consider when setting the length of the second or subsequent regulatory periods.</i></p>
5.	Allowed Revenue calculation	<p>5.1 For the Operational Period, the Allowed Revenue will be calculated as follows:</p> <p>Allowed Revenue_t = Allowed Revenue before AdjNominal_t + AdjNominal_t</p> <p>Allowed Revenue before AdjNominal_t = Calculated Revenue (real)_t × CPIH_t / CPIH_{BaseYear} + Adj_t</p> <p>Calculated Revenue (real)_t = RoC_t + Depr_t + Opex_t + Decom_t + Tax_t</p> <p>where:</p> <p>RoC_t = RAV_t × WACC_i;</p> <p>RoC = the return on capital which the Licensee is expected to make during the First Regulatory Period;</p> <p>RAV = an amount calculated in accordance with condition H6.3 (RAV);</p> <p>WACC = an amount calculated in accordance with condition H8 (WACC);</p> <p>Depr = an amount calculated in accordance with condition H9 (Depreciation);</p> <p>Opex = an amount calculated in accordance with condition H10 (Opex);</p> <p>Decom = an amount calculated in accordance with condition H13 (Decommissioning allowance);</p>

		<p>Tax = an amount calculated in accordance with condition H15 (<i>Tax</i>);</p> <p>Adj = an amount calculated in accordance with condition H16 (<i>Adjustments</i>); and</p> <p>AdjNominal = an amount calculated in accordance with condition H23 (<i>Under / overutilisation adjustment</i>).</p> <p>Note: all Calculated Revenue (real) amounts will be calculated in real terms, with the exception of some items such as tax allowance which will be on a nominal basis.</p> <p>Note: to be updated once the calculation methodology has been settled. Details of Pass Through Costs to be included in cost treatment paper.</p>
6.	RAV	<p>6.1 The RAV shall be calculated in accordance with the following formula:</p> $RAV_t = RAV_{t-1} + \text{Transferred SRAV}_t + \text{On-going Capex}_t [+ \text{On-going Devex}_t] - \text{Depr}_t - \text{Disposals}_t + \text{AdjRAV}$ <p>where:</p> <p>Transferred = SRAV which is to be moved to the RAV in accordance with H6 (<i>Transferred SRAV and additional SRAV(s)</i>);</p> <p>On-going Capex = an amount as referenced in condition H11 (<i>On-going Capex</i>);</p> <p>[On-going Devex = an amount as referenced in condition H12 (<i>On-going Devex</i>);]</p> <p>Note: mechanism to be developed – see condition H12 (<i>On-going Devex</i>).</p> <p>Depr = an amount calculated in accordance with condition H9 (<i>Depreciation</i>);</p> <p>Disposals = an amount calculated in accordance with condition H14 (<i>Disposals</i>). At the Post Commissioning Review there will be a reconciliation of SRAV for the Construction Period and the Commissioning Period. At this point, the rolled-up Return</p>

		<p>During Construction will be included in the SRAV; and</p> <p>$\text{AdjRAV} = \text{an amount calculated in accordance with condition H16 (Adjustments).}$</p> <p>6.2 RAV will be measured and maintained in real CPIH terms, with reference to the Base Year. Where required, additions to RAV will be adjusted to align with this price basis.</p> <p>6.3 The RAV used in the calculation of RoC will be the NPV-neutral RAV return base which will be calculated as the average of RAV_{t-1} and Discounted RAV_t</p> <p>where:</p> <p>$\text{Discounted RAV} = \text{RAV} / (1 + \text{WACC}); \text{ and}$</p> <p>$\text{WACC} = \text{an amount calculated in accordance with condition H8 (WACC).}$</p>
7.	Transferred SRAV and Additional SRAV(s)	<p>7.1 The SRAV will be moved to the RAV following the reconciliation of the SRAV at the Post Construction Review in accordance with condition G10 (<i>Post Construction Review</i>).</p> <p>7.2 The licence will include mechanics which allow for the accrual of additional SRAVs (for example to reflect any phasing of the Approved T&S Network by the Licensee or in the event of expansion of the T&S Network) and the transfer of such additional SRAVs to the RAV.</p> <p>7.3 Any additional SRAVs will accrue and transfer in accordance with provisions equivalent to sections F (<i>Construction Period Conditions</i>) and G (<i>Commissioning Period Conditions</i>). This means that any additional SRAVs will only transfer to the RAV following the relevant Post Commissioning Review.</p>
8.	WACC	<p>8.1 Until the end of the First Regulatory Period, Post-COD WACC, being the amount set out in the Financial Settlement Schedule for the Post-COD WACC, will apply as set out in condition G9.1, and any references to WACC in this section H shall be construed accordingly.</p> <p>8.2 In the second and subsequent regulatory periods, the WACC is the regulated average return on capital, determined by the Regulator, and adjusted by the Regulator from time to time according to market conditions.</p> <p>8.3 Where the Operational Period includes part of a year, the calculation for that part of a Charging Year shall be apportioned.</p>

9.	Depreciation	<p>9.1 The Licensee will be paid back a portion of its RAV in each period over the economic life of the asset.</p> <p>9.2 The depreciation profile for at least the First Regulatory Period is to be straight line real terms by reference to the expected life of the T&S network assets as set out in the Technical Details Schedule, with depreciation commencing at COD for amounts transferred from the SRAV or in the year following spend for On-going Capex.</p>
10.	Opex	Note: T&SCo to refer to separate cost treatment paper.
11.	On-going Capex	Note: T&SCo to refer to separate cost treatment paper.
12.	On-going Devex	Note: T&SCo to refer to separate cost treatment paper.
13.	Decommissioning Allowance	<p>13.1 The Decommissioning Allowance building block is intended to cover the costs that will be incurred by the Licensee in funding the decommissioning and monitoring liability related to the T&S Network, which shall be calculated on the basis of:</p> <ul style="list-style-type: none"> (a) the Onshore Decommissioning Fund Contribution Amount referenced in condition C3 (<i>Decommissioning obligations</i>); (b) the Offshore Decommissioning Fund Contribution Amount referenced in condition D3 (<i>Decommissioning obligations</i>). <p>Note: The initial estimate of decommissioning costs will be determined as part of the initial settlement.</p>
14.	Disposals	<p>14.1 Where there is a Disposal of a T&S Asset, which is permitted under standard condition B8 (<i>Disposal of assets and restrictions on charges</i>), such Disposal shall result in an adjustment to the RAV determined by the Regulator.</p> <p>14.2 The Regulator shall determine a share of the positive difference between (a) the actual sale value of a T&S Asset subject to a permitted Disposal; and (b) the value ascribed to such T&S Asset in the RAV, which shall be accounted for as part of the annual iteration process (referenced in condition H16.1(b)).</p>
15.	Tax	<p>15.1 An allowance for the expected tax costs of the Licensee, using an approach that aligns with the Regulator's regulatory precedent, including a notional tax approach that holds the Licensee harmless to changes in tax resulting from changes to gearing, compliance obligations including the 'tax review', and the 'tax compliance statement'.</p>

16.	Adjustments	<p>16.1 Adjustments will be applied to the calculation of Allowed Revenue and RAV including for:</p> <ul style="list-style-type: none"> (a) adjustments, including the store performance / availability adjustment (see condition H17 (<i>Availability adjustment</i>) below); and (b) true-ups, corrections and reconciliations in accordance with an annual iteration process administered by the Regulator, which shall include reconciliation of any relevant negative Monthly QRP Adjustments (as defined in the RSA) under the RSA. <p>Note: <i>it is envisaged that the Licensee will be required to provide details of revenues collected for assurance by the Regulator in order to facilitate the true-ups/reconciliations.</i></p>
17.	Availability adjustment	<p>17.1 In each Charging Year during the Operational Phase, the Licensee shall:</p> <ul style="list-style-type: none"> (a) use reasonable endeavours to achieve the Availability Target, which shall apply to incentivise the Licensee to maximise store performance, minimise outages and to schedule planned outages in an efficient manner; and (b) achieve the Availability Floor. <p>Notes:</p> <ul style="list-style-type: none"> • <i>Full form drafting to address scenario where COD occurs part way through a Charging Year, i.e. where there is a "short" first Charging Year.</i> • <i>the Availability Target is set out in [section 3] of the APDP and is 95% Availability. The Availability Target will take into account a reasonable and justified level of planned maintenance and unplanned outage in a Charging Year.</i> • <i>The Availability Floor [is set out in [section 3] of the APDP] and is 75% Availability. In circumstances where Availability falls below the Availability Target, the Availability incentive regime pursuant to conditions H17 and H19 shall apply, whether or not Availability remains above the Availability Floor.</i> • <i>Where the Licensee does not achieve the Availability Floor but (i) has an approved Availability Correction Plan and an approved associated Remediation Plan (if applicable) in place in accordance with conditions H17-H19; and (ii) is implementing and complying with such plan(s) in all material respects, the Licensee will not be in breach of condition H17.1(b).</i>

		<p>17.2 In each Charging Year, the amount of CO₂ that the T&S Network was capable of accepting at each of the Delivery Points shall be assessed to determine "Availability" for that Charging Year_t as follows:</p> $A = \left(1 - \frac{\left(\sum_{h=1}^H \sum_{i=1}^N CRC_{ih} + CN_{ih} \right)}{\sum_{h=1}^H \sum_{i=1}^N RC_{ih}} \right)$ <p>where:</p> <p>A = Availability for Charging Year_t;</p> <p>CN = curtailed nominations, i.e. reduction in the amount of nominated capacity that can be delivered affecting Delivery Point <i>i</i> in hour <i>h</i> (tCO₂), but excluding any curtailed nominations to the extent to which such curtailed nominations were directly caused by an Availability Relief Factor;</p> <p>CRC = constrained registered capacity, i.e. reduction in the amount of registered capacity that can be nominated affecting Delivery Point <i>i</i> in hour <i>h</i> (tCO₂), but excluding any constrained registered capacity to the extent to which such constrained registered capacity was directly caused by an Availability Relief Factor;</p> <p>H = total number of hours in Charging Year_t, being 8760 hours;</p> <p>N = total number of Delivery Points in the T&S Network; and</p> <p>RC = registered capacity, i.e. registered capacity held at Delivery Point <i>i</i> in hour <i>h</i> (tCO₂).</p> <p>Note: the Obligated Network Capacity will be set out in [section 3.4] of the APDP.</p> <p>Note: the definitions of constrained registered capacity and curtailed nominations remain under review in the context of development of the nominations/renominations procedure under the CCS Network Code.</p> <p>17.3 The Licensee shall keep written records of any potential Availability Relief Factors that have occurred during a Charging Year, which shall include the details referred to in conditions H17.5(a) and H17.5(b) below in respect of each such potential Availability Relief Factor.</p>
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		<p>17.4 Promptly upon request by the Regulator, the Licensee shall provide to the Regulator copies of the records referred to in condition H17.3 above, as well as any other written records which the Licensee is required to keep, publish and/or supply to Users under the CCS Network Code relating to:</p> <ul style="list-style-type: none"> (a) curtailed nominations, i.e. reduction in the amount of nominated capacity that can be delivered affecting Delivery Point <i>i</i> in hour <i>h</i>, howsoever caused ("Curtailed Nominations"); and (b) constrained registered capacity, i.e. reduction in the amount of registered capacity that can be nominated affecting Delivery Point <i>i</i> in hour <i>h</i>, howsoever caused ("Constrained Registered Capacity"). <p>17.5 The Licensee shall put forward its calculation of the Availability for each Charging Year within [<i>period to be specified</i>] of the end of that Charging Year, together with any further evidence that the Regulator has notified the Licensee that it requires in respect of the same, which shall include written notice of the occurrence of any potential Availability Relief Factors during the relevant Charging Year, together with evidence satisfactory to the Regulator in respect of:</p> <ul style="list-style-type: none"> (a) the nature, cause(s) and anticipated duration of each such potential Availability Relief Factors; and (b) the anticipated impact of each such potential Availability Relief Factor on nominations (i.e. the nominated capacity that can be delivered affecting Delivery Point <i>i</i> in hour <i>h</i>) and/or registered capacity (i.e. the amount of registered capacity that can be nominated affecting Delivery Point <i>i</i> in hour <i>h</i>), including the anticipated duration of such impact. <p>17.6 The Regulator shall consider the evidence provided by the Licensee in respect of the calculation of the Availability for a Charging Year and shall:</p> <ul style="list-style-type: none"> (a) confirm that the calculation of the Availability for such Charging Year is accepted; or (b) confirm that the calculation of the Availability for such Charging Year is not accepted; or (c) require further evidence from the Licensee to confirm whether the calculation of Availability for such Charging Year can be accepted,
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		<p>and where the Regulator requires further evidence from the Licensee under condition H17.6(c), the Licensee shall promptly provide such evidence to the Regulator.</p> <p>17.7 In considering the evidence provided by the Licensee in respect of the calculation of the Availability for a Charging Year, as referred to in condition H17.6 above, the Regulator shall consider the evidence provided by the Licensee in respect of the occurrence of potential Availability Relief Factors and shall, in each case:</p> <ul style="list-style-type: none"> (a) confirm that an Availability Relief Factor has occurred; (b) confirm that an Availability Relief Factor has not occurred; or (c) require further evidence from the Licensee to confirm whether an Availability Relief Factor has occurred, <p>and where the Regulator requires further evidence from the Licensee under condition H17.7(c), the Licensee shall promptly provide such evidence to the Regulator and the procedure in condition H17.6 shall be repeated.</p> <p>17.8 An "Availability Relief Factor", subject to H17.9 to H17.11 below, is any of the following factors:</p> <ul style="list-style-type: none"> (a) the occurrence of a Force Majeure Event; (b) the occurrence of a Qualifying Change in Law; <p><i>Note: this should include for example a new HSE requirement to the extent it falls within the scope of Discriminatory Change in Law or Specific Change in Law, but not administration of existing licences/permits e.g. the licence and/or the Storage Permit.</i></p> <ul style="list-style-type: none"> (c) disruption to power supply resulting from an electricity transmission or distribution network outage (including any action by the electricity system operator) but not including any disruption to power supply resulting from events on the Licensee's side of a supply point connecting the T&S Network to the electricity transmission or distribution network, the impact of which the Regulator determines in accordance with condition H17.9 is beyond the reasonable control of the Licensee; (d) an act or omission of a User, the impact of which the Regulator determines in accordance with condition H17.9 is beyond the reasonable control of the Licensee; and
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		<p>Note: this would include a User emergency and/or User delivery of off-specification CO₂, to the extent it met the criteria.</p> <p>(e) asset damage caused by third parties or natural causes, subject to compliance with [reference T&SCo obligation to procure as noted in note (i) below.],</p> <p>Note:</p> <p><i>Provisions reflecting the following principles to be incorporated:</i></p> <p>(i) T&SCo to be under an obligation to procure asset damage insurance and associated BI insurance to the extent available;</p> <p>(ii) Code to provide for suspension of T&S charges to the extent covered by the BI insurance procured pursuant to the above obligation; and</p> <p>(iii) RSA to treat amounts recoverable under the BI insurance procured pursuant to the above obligation as Market Revenues.</p> <p><i>Detailed drafting to be developed, including scoping of procurement obligation and definition of amounts recoverable.</i></p> <p>in each case provided that the Licensee has provided evidence to the Regulator's satisfaction that such factor directly caused Curtailed Nominations and/or Constrained Registered Capacity in the relevant Charging Year which, in each case, could not have been avoided or overcome or otherwise mitigated by the Licensee acting in accordance with Good Industry Practice; and</p> <p>in each case to the extent that the Licensee has provided evidence to the Regulator's satisfaction that neither such factor nor any such Curtailed Nominations and/or Constrained Registered Capacity were caused or contributed to by acts and/or omissions of the Licensee or of:</p> <p>(i) any of its Affiliates, Related Undertakings or Ultimate Controllers; or</p> <p>(ii) any of its agents, employees, contractors, subcontractors or other suppliers (of any tier) working on its behalf.</p> <p>17.9 Where the Licensee notifies the Regulator of a potential Availability Relief Factor within limbs (c) and/or (d) of the definition of "Availability Relief Factor" set out in condition H17.8 above, in determining whether or not</p>
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		<p>the relevant impact is beyond the reasonable control of the Licensee the Regulator shall consider whether it is reasonable in all the circumstances to expect that the Licensee, acting in accordance with Good Industry Practice:</p> <ul style="list-style-type: none"> (a) should have been aware of the relevant triggers and/or contributory factors for: (i) the relevant potential Availability Relief Factor; and (ii) the impact of the same; and (b) should have controlled or changed some or all of such triggers or contributory factors to prevent the relevant potential Availability Relief Factor from occurring or to prevent or minimise its impact, <p>provided that lack of funds shall not, in any circumstances, be interpreted as a cause beyond the reasonable control of the Licensee.</p> <p>17.10 Where the Regulator:</p> <ul style="list-style-type: none"> (a) confirms under condition H17.6(b) that the calculation of the Availability for such Charging Year is not accepted, the Licensee shall reassess and resubmit its calculation to the Regulator and the procedures in condition H17.6 shall be repeated; or (b) requires further evidence from the Licensee under condition H17.6(c), the Licensee shall provide such evidence to the Regulator and the procedures in condition H17.6 shall be repeated, <p>in each case until the Regulator confirms that the calculation of the Availability for such Charging Year is accepted.</p> <p>17.11 Where Availability, as confirmed by the Regulator in accordance with condition H17.6(a), in Charging Year_t:</p> <ul style="list-style-type: none"> (a) [save in the 12 month period following COD in respect of which condition H17.12 shall apply,] exceeds the Availability Target for Charging Year_t by any amount up to and including a maximum of 99% Availability, the Licensee will benefit from a positive adjustment to the Allowed Revenue, up to a cap calculated by reference to 25% of regulated return on equity for such Charging Year_t, such positive adjustment to apply to the Allowed Revenue in accordance with condition H17.6 above in Charging Year_{t+2}; or <p>Note: regulated return on equity means allowed equity return (cash-equivalent of the cost of</p>
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		<p><i>equity, defined as CoE*equity portion of RAV), rather than return on regulatory equity (RoRE).</i></p> <p>(b) [save in the 12 month period following COD in respect of which condition H17.12 shall apply,] fails to meet the Availability Target for Charging Year_t, the Licensee will suffer a negative adjustment to the Allowed Revenue, up to a cap calculated by reference to 100% of the regulated return on equity for such Charging Year_t, to apply to the Allowed Revenue in accordance with condition H16 (<i>Adjustments</i>) above in Charging Year_{t+2}.</p> <p>17.12 Note: ESNZ intends to offer a 12 month period post-COD in which (i) the maximum potential positive adjustment where the Availability Target is exceeded is decreased to 12.5% of the relevant regulated return on equity; and (ii) the maximum potential negative adjustment applicable where the Availability Target is not achieved is decreased to 50% of the relevant regulated return on equity.</p> <p>17.13 Where Availability in a Charging Year, as confirmed by the Regulator in accordance with condition H17.6(a), falls below the Availability Floor, no further negative adjustments shall apply under condition H17.11(b) [or condition H17.12].</p> <p>17.14 If Availability in a Charging Year, as confirmed by the Regulator in accordance with condition H17.6(a), falls below the Availability Target, the Licensee shall promptly submit to the Regulator for approval an Availability correction plan, the implementation of which shall improve Availability (an "Availability Correction Plan"), together with evidence of the justification for the proposed works and/or activities that are necessary to improve Availability (including any alternative works and/or activities considered by the Licensee), and the economic, efficient and effective costs of the works and/or activities.</p> <p>17.15 Where:</p> <p>(a) Availability falls below the Availability Target as a result of or in connection with an issue or issues arising at the Storage Site and/or otherwise as a result of or in connection with store performance; and</p> <p>(b) new capital expenditure is required as part of the related Availability Correction Plan,</p> <p>then the Licensee shall submit a Remediation Plan pursuant to condition H19 (<i>Remediation works</i>).</p>
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		<p>Note: this is designed to apply where new capex (subject to a specified de minimis threshold) is required under the Availability Correction Plan.</p> <p>17.16 Subject to condition H17.19, where the Licensee has provided an Availability Correction Plan to the Regulator for approval under condition H17.10, the Regulator shall review such Availability Correction Plan and shall:</p> <p>(a) confirm that the Availability Correction Plan is approved; or</p> <p>(b) confirm that the Availability Correction Plan is not approved and provide its reasons for such non-approval.</p> <p>17.17 In approving an Availability Correction Plan under condition H17.16, the Regulator will assess the economic, efficient and effective costs directly related to implementing the Availability Correction Plan, taking into account, among other things, any correction-related spend in respect of which allowances have already been provided to the Licensee.</p> <p>Note: the capex/opex position in relation to the Availability regime is set out in the table below, noting that where Corrective Measures apply condition H18 will apply:</p> <table border="1"> <thead> <tr> <th></th><th>Capex</th><th>Opex</th></tr> </thead> <tbody> <tr> <td>Availability remediation (Storage Site)</td><td>80/20 cost share Condition H19 (Remediation Plan)</td><td>80/20 cost share Cost treatment paper</td></tr> <tr> <td>Availability remediation (non-Storage Site)</td><td>40/60 cost share Cost treatment paper</td><td>40/60 cost share Cost treatment paper</td></tr> </tbody> </table> <p>17.18 Where the Regulator:</p> <p>(a) confirms under condition H17.16(a) that the Availability Correction Plan is approved, the Licensee shall promptly implement the approved Availability Correction Plan; or</p> <p>(b) confirms under condition H17.16(b) that the Availability Correction Plan is not approved, the Licensee shall promptly amend and resubmit the Availability Correction Plan to the Regulator and the procedures in condition H17.16 shall be repeated.</p> <p>17.19 Where any part of a Remediation Plan forms part of an Availability Correction Plan, to the extent that</p>		Capex	Opex	Availability remediation (Storage Site)	80/20 cost share Condition H19 (Remediation Plan)	80/20 cost share Cost treatment paper	Availability remediation (non-Storage Site)	40/60 cost share Cost treatment paper	40/60 cost share Cost treatment paper
	Capex	Opex									
Availability remediation (Storage Site)	80/20 cost share Condition H19 (Remediation Plan)	80/20 cost share Cost treatment paper									
Availability remediation (non-Storage Site)	40/60 cost share Cost treatment paper	40/60 cost share Cost treatment paper									

		<p>Remediation Plan is approved under condition H17.16 will not require reapproval under condition H19 (<i>Remediation works</i>).</p> <p>Note: the Availability Correction Plan process is used to assess different options which might include different combinations of capex and/or opex. It is envisaged that once an overall Availability Correction Plan solution has been approved, the capex element may need a further approval process under H19, unless sufficient detail has been provided and approved under the Availability Correction Plan process.</p>
18.	Corrective Measures	<p>18.1 Where the Licensee is required to undertake Corrective Measures in respect of the T&S Network:</p> <ul style="list-style-type: none"> (a) pursuant to the Licensee's Corrective Measures Plan as included in the Storage Permit; and/or a Corrective Measures Direction; and/or (b) in respect of any Corrective Measures (and/or measures for the protection of human health) required under the Storage Permit which do not fall within condition H18.1(a) above, <p>the Licensee shall promptly provide to the Regulator:</p> <ul style="list-style-type: none"> (i) the details of such Corrective Measures Plan, Corrective Measures Direction and Corrective Measures (if any); and (ii) any related and/or additional information that the Regulator considers appropriate and requested from the Licensee in respect of such Corrective Measures Plan, Corrective Measures Direction and Corrective Measures (if any). <p>Note: any opex costs arising pursuant to Corrective Measures will need to be reviewed in the context of the opex regime under the cost treatment process. The intention is for the treatment of opex and capex in respect of Corrective Measures to be consistent.</p> <p>18.2 The Licensee shall submit a Remediation Plan pursuant to condition H19 (<i>Remediation works</i>) where new capital expenditure (that is in addition to any allowances that have already been provided to the Licensee in respect of the same activity) is required directly as a result of or in connection with:</p> <ul style="list-style-type: none"> (a) the implementation of a Corrective Measures Plan and/or any Corrective Measures (and/or any measures for the protection of human health); or (b) in response to a Corrective Measures Direction,

		<p>in each case as notified by the Licensee to the Regulator pursuant to condition H18.1.</p> <p>Note: <i>this is designed to apply where substantive new capex (subject to a specified de minimis threshold) is required pursuant to Corrective Measures.</i></p>
19.	Remediation works	<p>19.1 Where:</p> <ul style="list-style-type: none"> (a) condition H17.15 applies; (b) condition H18.2 applies; and/or (c) the Licensee otherwise proposes to undertake remediation works relating to the Storage Site, the implementation of which shall (i) require new capital expenditure; and (ii) improve Availability in the future, <p>the Licensee shall promptly provide to the Regulator for approval a remediation plan setting out the remediation works that the Licensee proposes to undertake to the T&S Network (a "Remediation Plan"), together with:</p> <ul style="list-style-type: none"> (i) evidence of the justification for the remediation works (including any alternative remediation works considered by the Licensee), and the economic, efficient and effective costs of the remediation works; and (ii) any related and/or additional information that the Regulator considers appropriate and requested from the Licensee in respect of such Remediation Plan. <p>Note: <i>separate consideration is being given to the need for the Licensee to procure asset damage and business interruption insurance in the context of the licence, the CCS Network Code and the RSA.</i></p> <p>19.2 The Licensee shall include in any Remediation Plan provided to the Regulator under condition H19.1 such remediation works as are necessary:</p> <ul style="list-style-type: none"> (a) in the case of conditions H19.1(a) and H19.1(c), to improve Availability; and (b) in the case of condition H19.1(b) and subject to condition H19.3, to meet the requirements of the relevant Corrective Measures Plan, Corrective Measures Direction or any Corrective Measures (and/or any measures for the protection of human health) (as the case may be) ("Corrective Measures Requirements").

		<p>19.3 Where the Remediation Plan includes remediation works necessary to meet any Corrective Measures Requirements, the Licensee shall:</p> <ul style="list-style-type: none"> (a) provide evidence that it has informed [the NSTA, HSE, OPRED] of such Remediation Plan and, where required by [the NSTA, HSE, OPRED], that it has discussed the Remediation Plan with [the NSTA, HSE, OPRED]; and (b) take into account any comments, and comply with any directions, provided by [the NSTA, HSE, OPRED] on the Remediation Plan (if any). <p>19.4 Where the Licensee has provided a Remediation Plan to the Regulator for approval under condition H19.1, the Regulator shall review such plan and shall:</p> <ul style="list-style-type: none"> (a) subject to the Licensee having complied with condition 19.3, confirm that the Remediation Plan is approved; or (b) confirm that the Remediation Plan is not approved and provide its reasons for such non-approval. <p>19.5 Where the Regulator:</p> <ul style="list-style-type: none"> (a) confirms under condition H19.4(a) that the Remediation Plan is approved, the Licensee shall promptly implement the approved Remediation Plan; or (b) confirms under condition H19.4(b) that the Remediation Plan is not approved, the Licensee shall promptly amend and resubmit the Remediation Plan to the Regulator and the procedures in condition H19.4 shall be repeated. <p>19.6 In approving a Remediation Plan, the Regulator will assess the economic, efficient and effective remediation spend and, subject always to condition H19.7:</p> <ul style="list-style-type: none"> (a) where condition H19.1(a) and/or condition H19.1(c) applies, 80% of the Licensee's economic, efficient and effective remediation spend shall accrue to the RAV; and (b) where condition H19.1(b) applies, 100% of the Licensee's economic, efficient and effective remediation spend shall accrue to the RAV. <p>Note: ESNZ/Ofgem considering whether remediation capex may in certain circumstances be funded through an Allowed Revenue adjustment rather than RAV accrual.</p>
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		<p>19.7 In assessing remediation spend which may accrue to the RAV, the Regulator will take into account:</p> <ul style="list-style-type: none"> (a) the extent to which the remediation spend directly relates to the implementation of the Remediation Plan; (b) any remediation spend in respect of which allowances have already been provided to the Licensee; (c) any remediation spend which is covered by commercial insurances and/or the Supplemental Compensation Agreement; and (d) the extent to which: <ul style="list-style-type: none"> (i) a failure to meet the Availability Target is caused or contributed to by acts and/or omissions of the Licensee, including any failure by the Licensee to take reasonable steps that are consistent with Good Industry Practice to manage, minimise and/or otherwise mitigate the effects on Availability; and/or (ii) the need to perform a Corrective Measure is attributable to any fault, negligence and/or misconduct of the Licensee. <p>Note: to the extent that a failure to meet the Availability Target is caused or contributed to by acts and/or omissions of the Licensee, or the need to perform a Corrective Measure is attributable to any fault, negligence and/or misconduct of the Licensee, the percentage of remediation spend that accrues to the RAV under condition H19.6 may be reduced on a proportionate basis.</p>
20.	Store performance	<p>20.1 The Licensee shall monitor store performance and shall prepare capacity forecasts in respect of the T&S Network, and shall provide reports to the Regulator in respect of the same in accordance with the programme and the format specified by the Regulator.</p> <p>20.2 The Licensee shall procure that:</p> <ul style="list-style-type: none"> (a) independent audits of the Licensee's capacity assumptions (including models) and corresponding Carbon Storage and Development Plan are undertaken and completed ("Competent Person's Audit") and (b) the results of any such audit are promptly provided to the Regulator in a report ("Competent Person's Report") or as an

		<p>update to a previously provided Competent Person's Report,</p> <p>in each case in accordance with the requirements of conditions H20.3 to H20.7.</p> <p>20.3 Following the Commercial Operations Date, the Licensee shall procure that:</p> <ul style="list-style-type: none"> (a) a further Competent Person's Audit is carried out at least once within the 12-month period following the Commercial Operations Date and, subject to condition H20.4 below, thereafter further Competent Person's Audits are carried out on an annual basis (each a "CPR Year"); and (b) following any such further audit, the Initial Competent Person's Report as updated in respect of the preceding audit (the "Preceding Competent Person's Report") (if relevant) is promptly updated to reflect the results of such further audit; and (c) the updated Competent Person's Report is provided to the Regulator no later than 12 months from the date that the Preceding Competent Person's Report was provided to the Regulator. <p>20.4 The frequency of Competent Person's Audits and updates to the Competent Person's Report during the second and/or subsequent regulatory periods may be adjusted by the Regulator.</p> <p>20.5 Where the Regulator considers that there has been a significant and adverse deviation from the expected behaviour of the Storage Complex (such expected behaviour being based on the findings of previous Competent Person's Audits as recorded in the relevant updated Competent Person's Report), the Regulator shall be entitled to determine the relevant parts and/or elements of such Competent Person's Report that are to be updated to take into account such deviation, and the Licensee shall procure that such relevant parts and/or elements of the Competent Person's Report are promptly updated.</p> <p>20.6 A Competent Person's Audit and Competent Person's Report (and any updates thereto) must be undertaken by a "Competent Auditor", being an independent and qualified auditor who has:</p> <ul style="list-style-type: none"> (a) experience in undertaking audits of carbon capture, usage and storage and/or oil and gas development projects similar in scope, character and complexity to the Project and has the
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		<p>expertise to assess and report on the matters that are set out in condition H20.7; and</p> <p>(b) been appointed in accordance with the following process:</p> <p>(i) the Licensee shall send details of the proposed auditor to the Regulator, including information about how the auditor satisfies the criteria set out in paragraph (a);</p> <p>(ii) the Regulator shall consider the information provided by the Licensee under condition H20.6(b)(i) and shall advise the Licensee whether it approves (or does not approve) the auditor selected by the Licensee; and</p> <p>(iii) if the Regulator has approved the auditor then the Licensee shall appoint that auditor, but if the Licensee has failed to provide its approval then the Licensee shall seek the Regulator's approval to an alternative auditor in accordance with the requirements of this condition H20.6.</p> <p>20.7 Any Competent Person's Report (and any updates thereto) must address the following matters:</p> <p>(a) an assessment of the Storage Capacity and Resources (as each such term is defined in the SRMS Guidelines), i.e.:</p> <p>(i) 1P, 2P and 3P (as each such term is defined in the SRMS Guidelines) which will be based on forecast user demand and licence duration; and</p> <p>(ii) the capacity assuming unconstrained user demand for the same technical assumptions, based on maximum throughput of the designed facilities of the T&S Network and the Storage Complex, distinguishing previously stored quantities; and</p> <p>(iii) contingent resources, i.e. 1C, 2C and 3C (as each such term is defined in the SRMS Guidelines);</p> <p>(b) outstanding uncertainties and current level of residual risk associated with 1P, 2P and 3P (as each such term is defined in the SRMS Guidelines);</p>
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		<p>provided that in respect of conditions H20.7(a) to H20.7[x] above, the required information shall include:</p> <ul style="list-style-type: none"> (i) the actual information in respect of the preceding Charging Year (save where the year during which the report is being prepared is the first Charging Year); (ii) confirmation of the information that had previously been forecast in respect of the Charging Year referred to in limb (i) above (or where the year during which the report is being prepared is the first Charging Year, the first Charging Year); (iii) confirmation of the information that had previously been forecast for all Charging Years subsequent to the Charging Year referred to in limb (i) above (or where the year during which the report is being prepared is the first Charging Year, subsequent to the first Charging Year); (iv) current revised forecasts for the Charging Year in which the report is being prepared and all subsequent Charging Years. <p>Note: <i>required contents of each Competent Person's Report to be further considered by ESNZ.</i></p>
	20.8	<p>At the same time as providing any Competent Person's Report (or any update thereto) to the Regulator in accordance with this condition H20 (<i>Store performance</i>), the Licensee shall provide a copy of the report to:</p> <ul style="list-style-type: none"> (a) the NSTA; and (b) where such report is produced during, or relates to, the First Regulatory Period, the Secretary of State.
	20.9	<p>Audit/reporting in relation to additional Storage Complex/es</p> <ul style="list-style-type: none"> (a) Where the Licensee intends to propose a Change in Scope which would involve an additional Storage Complex or Storage Complexes or an expansion to an existing Storage Complex (an "Additional or Expanded Storage Complex"), the Licensee shall have, in advance of proposing such Change in Scope to the Regulator, procured that the Competent Auditor then appointed undertake and complete a Competent Person's Audit in respect of the Additional or Expanded Storage Complex, and shall produce to the Regulator (with a copy to the

		<p>NSTA and, during the First Regulatory Period, the Secretary of State), a Competent Person's Report in accordance with the requirements of condition H20.7 reporting the results of such audit, such report forming part of the Licensee's Change in Scope proposal to the Regulator.</p> <p>(b) Following the date of completion of an Competent Person's Audit referred to in condition H20.9(a) in respect of an Additional or Expanded Storage Complex, the Licensee shall procure that during construction and commissioning of the same (if any), and following the relevant commercial operations date associated with the Additional or Expanded Storage Complex (if any):</p> <p>(i) the relevant Additional or Expanded Storage Complex shall thereafter be audited as part of the T&S Network-wide Competent Person's Audits which take place under and in accordance with condition H20.2 and conditions H20.3 to H20.7; and</p> <p>(ii) the results of any Competent Person's Audit which relate to such Additional or Expanded Storage Complex shall be included in the relevant updates to the T&S Network-wide Competent Person's Report as referred to in condition H20.3.</p> <p>Note: the Regulator will review the data supplied under condition H20 in order to assess at each Periodic Review any updates needed to the availability/store performance regime in condition H17.</p>
21.	Bad Debt Allowance	<p>Note: the mechanics of the bad debt allowance remain subject to on-going development. The working assumption is that the bad debt allowance will be set at zero for at least the First Regulatory Period given other protections on offer to the Licensee (such as the RSA) and value for money considerations.</p>
22.	Market engagement costs	<p>Note: remains subject to review as part of the cost assessment process.</p>
23.	Under/overutilisation adjustment	<p>23.1 In accordance with section 7.3 of the RSA, where in any month the Monthly IDP Amount is less than any negative Monthly QRP Adjustment (each as defined in the RSA), the difference between these amounts shall be addressed through the annual iteration process pursuant to condition H16.1(b).</p> <p>23.2 The amount of any difference referred to in condition H23.1 above will be taken into account as part of the "AdjNominal" for Charging Year_{t+2}.</p>

24.	Change in Scope	<p>24.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Change in Scope during the Operational Period and shall provide details in respect of such Change in Scope to the Regulator together with its analysis of the effects, or likely effects, of such Change in Scope, including but not limited to:</p> <ul style="list-style-type: none"> (a) any adjustments to the Revenue Calculations as a result of the Change in Scope, including without limitation: <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of Opex, On-going Capex, On-going Capex or On-going Devex; and (ii) the impact on any ex post assessments of the economic and efficient expenditure by the Licensee; (b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Change in Scope: <ul style="list-style-type: none"> (i) for such period as is necessary having regard to the Change in Scope; or (ii) until such time as the obligations have been amended to reflect the impact of the Change in Scope; (c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Change in Scope; (d) any adjustments to key milestone dates to take account of the impact of the Change in Scope; (e) the inclusion of new construction periods or operational periods (and associated SRAVs) in respect of the Change in Scope (see condition E2 (<i>T&S Network expansion and additional construction, commissioning and operational periods</i>) above); and/or (f) any adjustments to the WACC for the Operational Period as determined in accordance with condition H8 (WACC).
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		<p>24.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee.</p> <p>24.3 Following notification by the Licensee under condition H24.1, the Licensee shall provide to the Regulator any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Change in Scope.</p> <p>24.4 Without limiting the generality of condition H24.3, where a Change in Scope involves an Additional or Expanded Storage Complex, the provisions of H20.9 shall apply in respect of the same.</p>
25.	Change in Law	<p>25.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Qualifying Change in Law, or potential Qualifying Change in Law, during the Operational Period and shall provide details in respect of such Qualifying Change in Law or potential Qualifying Change in Law to the Regulator together with its analysis of the effects, or likely effects, of such Qualifying Change in Law including but not limited to:</p> <ul style="list-style-type: none"> (a) any adjustments to key milestone dates to take account of the impact of the Qualifying Change in Law; (b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or is delayed in performing such obligations as a result of the Qualifying Change in Law: <ul style="list-style-type: none"> (i) for such period as is necessary having regard to the Qualifying Change in Law; or (ii) until such time as the obligations have been amended to reflect the impact of the Qualifying Change in Law; (c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Qualifying Change in Law (other than the Availability Target, which is addressed in condition H17 (<i>Availability adjustment</i>)); (d) any adjustments to the Revenue Calculations as a result of the Qualifying Change in Law, including without limitation: <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) including: (i) any change to the cost sharing factor; and (ii) any ex ante

		<p>allowance in respect of Opex, On-going Capex, On-going Capex or On-going Devex; and</p> <p>(ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for any Qualifying Changes in Law; and/or</p> <p>(e) any adjustments to the WACC for the Operational Period as determined in accordance with condition H8 (WACC).</p> <p>25.2 The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee to reflect such impact.</p> <p>25.3 Following notification by the Licensee under condition H25.1, the Licensee shall provide to the Regulator:</p> <p>(a) any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Qualifying Change in Law or potential Qualifying Change in Law; and</p> <p>(b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition H25.2, satisfactory evidence to the Regulator that the Qualifying Change in Law affects construction and/or the cost impact to On-going Devex, Capex or Opex.</p> <p>25.4 The amount of any increases to the Licensee's costs pursuant to condition H25.2 shall be subject to the Licensee providing satisfactory evidence that the Qualifying Change in Law affects construction and/or the cost impact to On-going Devex, Capex or Opex pursuant to condition H25.3.</p>
26.	Force Majeure	<p>26.1 The Licensee shall notify the Regulator as soon as it becomes aware of any Force Majeure Event, or potential Force Majeure Event, during the Operational Period, and shall provide details in respect of such Force Majeure Event or potential Force Majeure Event to the Regulator together with its analysis of the effects, or likely effects, of such Force Majeure Event including but not limited to:</p> <p>(a) any adjustments to key milestone dates to take account of the impact of the Force Majeure Event;</p> <p>(b) any adjustment in respect of the Licensee's obligations under this licence where and to the extent that the Licensee is unable to perform or</p>

		<p>is delayed in performing such obligations as a result of the Force Majeure Event:</p> <ul style="list-style-type: none"> (i) for such period as is necessary having regard to the Force Majeure Event; or (ii) until such time as the obligations have been amended to reflect the impact of the Force Majeure Event; <p>(c) any adjustments to the targets or outputs (or the assessment of the performance of the T&S Assets against such targets or outputs) under these special conditions to reflect the impact of the Force Majeure Event (other than the Availability Target, which is addressed in condition H17 (<i>Availability adjustment</i>)); and</p> <p>(d) any adjustments to the Revenue Calculations as a result of the Force Majeure Event, including without limitation:</p> <ul style="list-style-type: none"> (i) any reasonable increases or decreases to any ex ante allowance (with cost sharing) including: (i) any change to the cost sharing factor; and (ii) any ex ante allowance in respect of Opex, On-going Capex, On-going Capex or On-going Devex; (ii) any reasonable amendments to the manner in which the Regulator will assess any ex post costs to apply the same principles that the Licensee should not be on cost risk for any Force Majeure Event; and/or <p>(e) any adjustments to the WACC for the Operational Period as determined in accordance with condition H8 (<i>WACC</i>).</p>
	26.2	The Regulator will determine the impact on the Project and any adjustments to be provided to the Licensee to reflect such impact.
	26.3	<p>Following notification by the Licensee under condition H26.1, the Licensee shall provide to the Regulator:</p> <ul style="list-style-type: none"> (a) any additional information that the Regulator considers appropriate and requests from the Licensee in respect of such Force Majeure Event or potential Force Majeure Event; and (b) where applicable in the context of an increase or decrease of the Licensee's costs pursuant to condition H26.2, satisfactory evidence to the Regulator that the Force Majeure Event affects

		<p>construction and/or the cost impact to On-going Devex, Capex or Opex.</p> <p>26.4 The amount of any increases to the Licensee's costs pursuant to condition H26.2 shall be subject to the Licensee providing satisfactory evidence that the Force Majeure Event affects construction and/or the cost impact to On-going Devex, Capex or Opex pursuant to condition H26.3.</p>
27.	Regulated/non-regulated revenue	<p>27.1 Any revenues generated by the Licensee in relation to the use of the T&S Network are to be considered as regulated revenue.</p> <p>Note: <i>it is not anticipated that the Licensee will earn any non-regulated revenue (for example fees obtained in relation to the non-regulated transport of CO₂ from markets outside of the licence area) in the First Regulatory Period.</i></p> <p>27.2 The Licensee shall not be entitled to undertake any non-regulated activities or earn any non-regulated revenue without the written consent of the Regulator.</p> <p>27.3 The Regulator will determine the treatment of any non-regulated revenues received by the Licensee.</p> <p>Note: <i>for the avoidance of doubt, any non-regulated revenue received by the Licensee will be taken into account in the calculations made pursuant to the RSA – see the RSA heads of terms for further details.</i></p>
28.	Use of System Charging Methodology	<p>28.1 The Licensee shall:</p> <ul style="list-style-type: none"> (a) have in place a Use of System Charging Methodology, which sets out the methodology for the determination of the Use of System Charges, through which the Licensee can recover its Allowed Revenue for each Charging Year; and (b) design, establish, operate and maintain a functioning platform including all required interfaces to operate the Use of System Charging Methodology (the "System Charging Platform"). <p>28.2 The Use of System Charging Methodology that applies from Licence Award is the Use of System Charging Methodology set out in CCS Network Code as at Licence Award.</p> <p>28.3 The Licensee shall, for the purpose of ensuring that the Use of System Charging Methodology achieves the Relevant Objectives, keep the Use of System Charging Methodology at all times under review.</p> <p>28.4 The Licensee shall, in accordance with the provisions of the CCS Network Code, make such modifications to the</p>

		Use of System Charging Methodology as may be requisite for the purpose of better achieving the Relevant Objectives, provided that any such modification must be approved by the Regulator.
29.	Use of System Charging Statement	<p>29.1 For each Charging Year, the Licensee shall prepare a statement of its Use of System Charges for using the T&S Network and how those charges have been calculated in accordance with the Use of System Charging Methodology (the "System Charging Statement").</p> <p>29.2 The Licensee shall submit the draft System Charging Statement for each Charging Year to the Regulator for approval by [31 December] before the start of the Charging Year to which the draft System Charging Statement relates.</p> <p>Note: <i>it is also envisaged that the Licensee will provide details of forecasts for years $t+1$ and $t+2$, which will also be reviewed by the Regulator.</i></p>

Schedule 1: Specified Area

Schedule 1: Specified Area

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Schedule 2: Revocation

1. The Regulator may at any time revoke the licence by giving not less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f)) in writing to the Licensee:
 - (a) if the Licensee agrees in writing with the Regulator that the licence should be revoked;
 - (b) if any amount payable under standard condition [A2] (*Payments by Licensee to the Regulator*) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Regulator has given the Licensee notice that the payment is overdue – provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the Licensee fails:
 - (i) to comply with a final order (within the meaning of section [●] of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Regulator within three months after the Regulator has given notice of such failure to the Licensee - provided that no such notice shall be given by the Regulator before the expiration of the period within which an application under section [●] of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section [●] of the Act) by the due date for such payment and such payment is not made to the Regulator within three months after the Regulator has given notice of such failure to the Licensee - provided that no such notice shall be given by the Regulator before the expiration of the period within which an application under section [●] of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the Licensee fails to comply with:
 - (i) an order made by the court under section 34 of the Competition Act 1998;
 - (ii) an order made by the Regulator under sections 158 or 160 of the Enterprise Act 2002;
 - (iii) an order made by the Competition and Markets Authority under sections 76, 81, 83, 84 and 161 of the Enterprise Act 2002;
 - (iv) an order/decision made by the Secretary of State under sections 66, 147, 160 or 161 of the Enterprise Act 2002;

Note: the statutory references in paragraph (d) above are subject to further review.

- (e) if the Licensee:
 - (i) has ceased to carry on the development and operation of a network for the transportation and storage of carbon dioxide; or
 - (ii) has not commenced carrying on the activity referred to in paragraph (i) above within 30 days of the date on which the licence comes into force;

Schedule 2: Revocation

- (f) if the Licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2, 3 and 4 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Regulator);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under schedule B1 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Regulator; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction.
- 2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£250,000" or such higher figure as the Regulator may from time to time determine by notice in writing to the Licensee.
- 3. The Licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Regulator under paragraph 1.
- 4. Any rights the Regulator may have to revoke the licence under paragraphs 1 and 6 of this schedule shall be automatically suspended whilst the Licensee is in transport and storage administration under Chapter 4 of Part 1 of the Act until such time as the Regulator has determined, having consulted with the T&S administrator (as defined in section 49 of the Act), that achieving the objective of the transport and storage administration (as defined in section 43 of the Act), is no longer reasonably practicable.
- 5. The Regulator may at any time revoke the licence by giving no less than seven days' notice in writing to the Licensee where the Regulator is satisfied that there has been a material misstatement (of fact) by, or on behalf of the Licensee, in making its application for the licence.
- 6. The Regulator may at any time revoke the licence by giving not less than 30 days' notice in writing to the Licensee where the following events occur:
 - (a) revocation of any legal permission which has a material adverse effect on the operation of the T&S Network; or
 - (b) issuance of a Discontinuation Notice by the Secretary of State.

Note: in relation to 6(a) above, in deciding whether to exercise the revocation power, the Regulator will take into account all the relevant circumstances, including the ability and timescales of the Licensee to remedy the position. The Regulator has the discretion but not an obligation to exercise its revocation powers.

Schedule 2: Revocation

7. Where the Regulator is entitled to revoke the licence, the Licensee acknowledges that a Transfer Scheme may be applied.
8. Where the Licensee is insolvent and the Regulator is entitled to revoke the licence under this Schedule 2, in making a decision on revocation the Regulator shall have regard to the [Enforcement Guidance], but in the event of any conflict between these licence terms and the guidance, the licence terms will prevail.

Schedule 3: Financial Settlement Schedule

The Financial Settlement Schedule sets out details of the financial settlement determined before Licence Award, as set out below.

Item reference	Item	Details
Conditions F13.2 and G9.2	Delay WACC	[0%]
Condition F10	Pre-Licence Award Devex	[to be inserted]
Conditions F13, G9 and H8	WACC	• Pre-COD WACC
		• Post-COD WACC
Condition F7	Re-Use Asset Valuation	[to be inserted]
Conditions F8 and G5	SRAV Capex	Note: T&SCo to refer to separate cost treatment paper.
Conditions F11, G7 and H12	On-going Devex	Note: T&SCo to refer to separate cost treatment paper.
Condition H11	On-going Capex	Note: T&SCo to refer to separate cost treatment paper.
Condition F9, G6 and H10	Opex	Note: T&SCo to refer to separate cost treatment paper.

Schedule 4: Technical Details Schedule

The Technical Details Schedule sets out procedural, technical and programming details relating to the construction and commissioning of the T&S Network, as set out below.

Item reference	Item	Details
Condition F2	Scheduled Handover Date	<i>[include initial Scheduled Handover Date]</i>
Condition G2	Scheduled COD	<i>[include initial Scheduled COD]</i>
Condition G2	Longstop Date	<i>[include initial Longstop Date plus 12 months]</i>
Condition H9	Asset life	<i>[Include asset life for the Approved T&S Network]</i>
Conditions F2.2 and G2.3	Project Programme	<p><i>[Include high level information on delivery plan/programme with subsections as set out below.]</i></p> <p>Phase 1</p> <p><i>[Include details key milestones for Phase 1, e.g. mechanical completion of sub-systems, Scheduled Handover Date, anticipated date of COD Readiness, Scheduled COD and Longstop Date.]</i></p> <p>Phase 2</p> <p><i>[Include the expected date of mechanical completion and completion of commissioning of individual sub-systems, as well as details of any other key milestones for Phase 2.]</i></p> <p>Phase 3</p> <p><i>[Include details of key milestones in respect of Phase 3, e.g. start and end of individual stages such as Appraise, Define, Execute and initial views on financial investment decisions, construction periods, commissioning periods and commercial operations dates.]</i></p>

Schedule 5: Derogations Schedule

Note: *it is recognised that in some instances the manner in which a Licensee is taking forward the development of a T&S network, in terms of matters such as project structure, procurement and operating model, may not be fully in compliance with the standard conditions, but is nonetheless considered to be efficient, economic and effective. In such circumstances, at licence award, the licensee may be granted certain "derogations" from full compliance with specific obligations under certain standard licence conditions or alternatively a licence condition may only come into effect upon a direction from the Regulator. How these derogations are issued and documented will be considered on a case by case basis and will depend on the nature of the derogation (e.g., temporary vs enduring, complexity etc.). The decision on what forms of derogation will be available to the Licensee will be considered in the context of submissions for derogations from the standard conditions provided by the Licensee. The method of implementation of any agreed derogations remains under review, but options include:*

1. *regulatory consent process contained within a licence condition;*
2. *derogation from a licence obligation via Regulator direction;*
3. *regulator direction to give (or not give) a licence condition effect; and*
4. *Derogations Schedule.*

Schedule 6: Template Form of Approved Project Development Plan

Approved Project Development Plan for [insert details of Licensee/Project]

1. **Acronyms and definitions**

[Include a section setting out relevant acronyms and definitions.]

2. **Scope of Project and cluster overview**

[Include a description of the scope of the proposed Project, cross referring to the Technical Details Schedule as appropriate. This description should include a schematic of each of Phase 1 and Phase 2, the overall capacity of the Approved T&S Network following each such Phase and the location of the Planned Initial Users. A second schematic should show the Phase 3 expansion projects relative to the Approved T&S Network.]

3. **Approved T&S Network overview**

[Phase 1 and Phase 2 together comprise the works and activities required to ensure that the Approved T&S Network can provide at least the CO₂ capacity required for the Planned Initial Users during the First Regulatory Period.

Include details of the Approved T&S Network, cross referring to the Technical Details Schedule as appropriate, with subsections as set out below.]

3.1 **Phase 1**

[Include details of Phase 1 works and activities which are those works and activities that will be completed prior to the Commercial Operations Date, i.e. Handover Works (see below) and Commissioning Activities (see below) with associated SRAV Capex. Cross refer to the Technical Details Schedule as appropriate, and include (i) an overview of the T&S Network; (ii) details of storage system; (iii) details of offshore and onshore transportation; (iv) details of relevant Independent Certifier; and (v) definition of "COD Readiness Activities" (see below).

- *This section must define the "Handover Works", being the works and activities to be undertaken by the Licensee during the Construction Period as part of Phase 1 that are required to ensure that Phase 1 of the Approved T&S Network is able to commence commissioning, as referred to in the APDP. Some indicative examples of the works and/or activities that are likely to form part of the Handover Works include but are not limited to:*
 - *design and construction of the assets of Phase 1 of the Approved T&S Network (including any Offshore Pipeline Infrastructure, Offshore Transportation and Storage System, Storage Complex(s), metering or systems);*
 - *carrying out non-operational testing;*
 - *obtaining all required permits/consents for Phase 1 of the Approved T&S Network;*
 - *organisational activities (such as the hiring/training of operational staff).*
- *This section must define the "Commissioning Activities", being the activities to be undertaken by the Licensee during the Commissioning Period as part of Phase 1 in order to demonstrate that Phase 1 of the Approved T&S Network is able to commence operations. Some indicative examples of the activities that are likely to form part of the Commissioning Activities include but are not limited to:*

Schedule 6: Template Form of Approved Project
Development Plan

- *designing, establishing, operating and maintaining the System Charging Platform; and*
- *carrying out pre-commissioning activities (e.g. functional / statutory testing, drying, pressure testing and SAT);*
- *post construction integrity and function testing;*
- *a review ensuring all outstanding works relating to Phase 1 of the Approved T&S Network (i.e. those works not completed as part of the Handover Works but required to be completed prior to System Acceptance), performance testing and pre-COD contractual obligations have been completed;*
- *function testing of the offshore system through the onshore master control station;*
- *flooding, cleaning and gauging of offshore equipment;*
- *pipeline pressure testing;*
- *carry out injection system barrier leak tests;*
- *de-watering, drying and nitrogen purging of the system;*
- *final dryness check and nitrogen packing;*
- *[wells and subsurface pre-commissioning activities;]*
- *system pressurisation and first fill;*
- *initial flow and line testing;*
- *metering and data / control system interface operability, venting;*
- *testing of rejection system responsiveness – User and Licensee side;*
- *testing of Storage Complex responsiveness;*
- *NSTA requirements;*
- *OPRED requirements;*
- *proving of assets (e.g. leakage levels on end-to-end operations, energy, and CO₂ performance (MWh/tCO₂ stored, availability (for a specified duration)), operability, start-up/shutdown operations, injectivity and Storage Complex responsiveness);*
- *proving of operational capability (e.g. emergency response, event response (dry runs), leakage analysis process, control and safety systems); and*
- *organisational activities (such as the hiring/training of operational staff); and*
- *end to end operation for a period of time.*

Schedule 6: Template Form of Approved Project Development Plan

- *This section must define the "COD Readiness Activities", being the Commissioning Activities that can be completed without CO₂, which shall include all of the Commissioning Activities other than:*
 - *system pressurisation and first fill;*
 - *initial flow and line testing;*
 - *[testing of Storage Complex responsiveness, other than some testing such as, but not limited to, near wellbore permeability using a fluid like KCI brine];*
 - *end to end operation for a period of time; and*
 - *proving of assets (e.g. leakage levels on end-to-end operations, energy, and CO₂ performance (MWh/tCO₂ stored, availability (for a specified duration)), operability, start-up/shutdown operations, injectivity and Storage Complex responsiveness).]*

Note: "COD Readiness Activities" drafting to be kept in-line with the Commissioning Activities drafting above.

3.2 Phase 2

[Include details of Phase 2 of the Project, i.e. those works and activities in respect of the Approved T&S Network that will be not completed prior to Commercial Operations Date, including details of any development activities in respect of the Approved T&S Network with associated On-going Capex, including, as relevant, development of the storage system and offshore/onshore transportation and any connection of Planned Initial Users to the Approved T&S Network (to the extent not connected as part of Phase 1). The descriptions of such works and activities should be provided in the same way as for Phase 1.]

3.3 Availability Target and Availability Floor

[Include details of the Availability Target, i.e. [95]% of Availability, and Availability Floor, i.e. [75%] of Availability.]

3.4 Obligated Network Capacity

[Include details of the Obligated Network Capacity.]

	Level	COD	First Period	Regulatory	End of First Regulatory Period
Flow rate (Mtpa)	[●]	System Acceptance test to provide evidence based on cost assessment process.	Availability incentive applies		Review of Availability incentive by Regulator.
Overall store capacity (MtCO₂)	[●]	No further tests beyond FID assurance.	No incentive. Reporting on store performance applies		Store performance incentive to be set up by the Regulator.

Note: level is to be updated by reference to Change in Scope and/or Storage Permit (as applicable), which in either case increases flow rate and/or store capacity.

4. **Users**

[Include details of the assumed Users, with subsections as set out below.]

4.1 Planned Initial Users

[Include details of the Planned Initial Users, i.e. [those announced as part of the [●]].]

4.2 Phase 1 Users

[Include details of the commissioning Users, i.e. Planned Initial Users delivering CO₂ at COD.]

4.3 Phase 2 Users

[Include details of any subsequent Users, i.e. Planned Initial Users commencing CO₂ deliveries post-COD.]

4.4 Potential Phase 3 Users

[Include details of any potential subsequent Users that are envisaged to require expansion of the T&S Network.]

5. **Development/expansion of Approved T&S Network**

[Phase 3 will comprise such activities beyond Phase 1 and Phase 2. Include details of Phase 3, i.e. development activities relating to the T&S Network with associated On-going Devex during the First Regulatory Period. The Phase 3 activities should be described in the same way as outlined for Phase 1 works and activities based on current assumptions.]

Include also information regarding conditions/stage gates to investment/implementation of Changes in Scope, cross referring to the Technical Details Schedule and Financial Settlement Schedule as appropriate.]

Schedule 7: Qualifying Acquisition Information

No.	Item	Detail
1.	Acquirer contact details and related notifications	(a) number of all persons involved in the Qualifying Acquisition (b) name of person(s) involved (c) contact details of the person(s) (d) details on any notification to any UK or overseas investment screening regimes that person (or persons) has submitted within the last 12 months
2.	Acquisition details	(a) the percentage of the shares or voting rights that the person(s) holds in the entity (b) expected date of the Qualifying Acquisition (c) approvals required by UK regulators (d) rationale for the Qualifying Acquisition
3.	Entity details	(a) name and address of the entity (b) contact details of the authorised individual in entity (c) companies house registration number (d) standard industrial classification SIC code. (e) details on all licences held to operate within the UK. (f) description of dual use item (g) details on entity relationship with the UK Government (h) pre-Qualifying Acquisition structure chart of the entity (i) details on any non-UK government which have a direct or indirect role in the operation or decision making of the entity
4.	Acquiring person(s) details	(a) name, address, and business registration details (b) details on any non-UK government, or representative of any non-UK government, have share ownership or voting rights in the person(s) (c) details on any non-UK government which have a direct or indirect role in the operation or decision making of the acquirer (d) when the Qualifying Acquisition completes, details on if there will be any contractual arrangements in place regarding share ownership or voting rights between the person(s) and any other party

Schedule 7: Qualifying Acquisition Information

No.	Item	Detail
		(e) structure chart of person(s) which includes the % ownership and country of incorporation
5.	Additional information	Other relevant documentation and information on the Qualifying Acquisition.

Annex B: Government Support Package

CCUS: Government Support Package for T&SCo

Introduction and Indicative Heads of Terms

Note: these indicative heads of terms are subject to the "Disclaimer" section at the front of the explanatory note document to which they are annexed.

A. INTRODUCTION

1.1 Background

- (a) The indicative heads of terms in section C (*Supplemental Compensation Agreement*), section D (*Discontinuation Agreement*) and section E (*Liaison Agreement*) of this document set out the basis upon which HM Government ("**HMG**") would consider providing a contingent Government Support Package ("**GSP**") to a company licensed to provide transport and storage services ("**T&SCo**") as part of HMG's CCUS Programme (the "**Programme**").
- (b) The contents of the heads of terms in section C (*Supplemental Compensation Agreement*), section D (*Discontinuation Agreement*) and section E (*Liaison Agreement*) of this document are indicative only and do not constitute an offer by HMG and do not create a basis for any form of expectation or reliance. Any GSP arrangements that are developed in the future will be subject to approval by Ministers, in consultation with the economic regulator ("**Regulator**"), and the development and completion of necessary contractual documentation.
- (c) The introduction set out in this section A does not form part of the indicative heads of terms contained in section C (*Supplemental Compensation Agreement*), section D (*Discontinuation Agreement*) and section E (*Liaison Agreement*) of this document and is intended only to provide an overview of the rationale and assumptions for the provision of the GSP.

1.2 Rationale

- (a) The GSP has been structured to cover certain high impact, but low probability risks beyond those which are manageable by operation of the Economic Regulatory Regime ("**ERR**") and the Revenue Support Agreement ("**RSA**"), which the investors and/or supply chain, including insurers, of T&SCo cannot take, or cannot price at an efficient level which is good value for money for UK taxpayers, consumers and Users.
- (b) The risks to be covered by the GSP and the detailed terms of coverage remain under consideration, but these heads of terms set out current HMG thinking on the support which could be provided by the GSP. This will depend upon the final terms of the ERR and RSA and the target risk profile.

1.3 Description

- (a) This document comprises of the following:
 - (i) section A: introduction;
 - (ii) section B: conditions precedent to the GSP and other activities pre-Licence Award;

- (iii) section C: heads of terms for the supplemental compensation agreement ("**Supplemental Compensation Agreement**" or "**SCA**") and the lead insurer agreement ("**LIA**") at Appendix 2;
 - (iv) section D: heads of terms for the discontinuation agreement ("**Discontinuation Agreement**" or "**DA**"); and
 - (v) section E: heads of terms for the liaison agreement ("**Liaison Agreement**").
- (b) The scope of the areas of specific protection set out in the indicative heads of terms in section C (*Supplemental Compensation Agreement*), section D (*Discontinuation Agreement*) and section E (*Liaison Agreement*) of this document remains subject to review, in particular in the context of the detail of the ERR and the RSA.

1.4 Initial assumptions

- (a) This document is based on the following assumptions in respect of the T&S Network:
- (i) ownership of the T&S Network: the "onshore" (i.e. Onshore Transportation Systems) and "offshore" (i.e. Offshore Transportation and Storage Systems) elements of the T&S Network will be owned by T&SCo. In particular, T&SCo will hold any Crown Estate (including Crown Estate Scotland) lease and licence/permit issued by the NSTA (or licensing authority of a devolved administration);
 - (ii) development and operation of the T&S Network: T&SCo will be responsible for the development, construction, operation and maintenance of the T&S Network, including obtaining all necessary permits and approvals;
 - (iii) expansion of the T&S Network: in the future T&SCo may need to expand the T&S Network under the terms of the ERR and will provide access to new Users of the T&S Network in accordance with the terms of its Licence, the CCS Network Code and all relevant laws and regulations;¹
 - (iv) decommissioning: T&SCo will be responsible for the decommissioning and monitoring of:
 - (A) the Offshore Transportation and Storage System in accordance with the Petroleum Act 1998 as applied under the Energy Act 2008 (as may be amended or supplemented) and with regards to post-closure and monitoring obligations, T&SCo will be responsible as set out in its storage permit and licence granted by the NSTA; and
 - (B) the Onshore Transportation System in accordance with the relevant decommissioning conditions of any development/planning consent;
 - (v) T&S charges: Users of the T&S Network will pay T&SCo charges for provision of T&S services which will be regulated under the ERR;
 - (vi) CO₂ ownership: title and risk in CO₂ delivered to the T&S Network will pass to T&SCo at the Delivery Point;

¹ Consideration is being given to changes required to the existing third party access rules as a result of the new regulatory regime.

- (vii) RSA: in the development of the revenue model for the T&S Network, HMG has identified that there may be certain demand related revenue risks to T&SCo, where T&SCo's actual revenues may fall short of T&SCo's Allowed Revenue under the ERR. Such demand related revenue risks will be addressed through a number of mitigation measures in the ERR and where the ERR is not sufficient, T&SCo will have access to the RSA as a mechanism which will enable the recovery by T&SCo of its Allowed Revenue in the event of a shortfall.

1.5 **Defined terms**

Capitalised terms not otherwise defined in this document have the meaning given to them in the Licence heads of terms.

B. CONDITIONS PRECEDENT TO THE GSP AND OTHER ACTIVITIES PRE-LICENCE AWARD

No.	Item	Commercial Terms	
1.	Conditions Precedent	1.1	It is proposed that the GSP will be conditional on certain conditions precedent including those set out at Appendix 1 to section E (<i>Liaison Agreement</i>). Note: <i>conditions precedent to be kept under review.</i>
2.	Procurement of insurances prior to Licence Award	2.1	Prior to Licence Award, T&SCo will use reasonable endeavours to secure commercial insurance in respect of each of the Insured Risks and Insured Losses in accordance with the requirements of the Insurance Schedule appended to the SCA.
		2.2	T&SCo shall ensure that any commercial insurances are placed and maintained with a commercial insurer of Good Standing (as defined in section 26 (<i>Definitions</i>) of section C (<i>Supplemental Compensation Agreement</i>)).
3.	Insurance assurance	3.1	T&SCo shall provide evidence, including confirmation from independent insurance brokers that T&SCo has satisfied its obligation to secure commercial insurances in respect of each of the Insured Risks and Insured Losses pursuant to section 3.3 and section 3.4 of section C (<i>Supplemental Compensation Agreement</i>), save to the extent that it is established that commercial insurances for any such Insured Risks or Insured Losses are Unavailable.
		3.2	The SoS will verify that T&SCo has satisfied its obligation under section 3.1.
		3.3	The SoS will undertake a review of the commercial insurances procured by T&SCo in respect of each of the Insured Risks and Insured Losses to determine whether commercial insurance for any of the Insured Risks or Insured Losses is Unavailable at Licence Award.
4.	Lead Insurer Agreement	4.1	A Lead Insurer Agreement (as set out in Appendix 2 to section C (<i>Supplemental Compensation Agreement</i>)). Note: <i>provisions to address the interface with SoS and insurers remain subject to development. Such provisions will be entered into at Licence Award and will set out the relevant requirements and process in respect of claims handling, subrogation and loss adjustment.</i>
5.	T&SCo's financing structure/due diligence	5.1	T&SCo's financing structure will be the subject of due diligence checks for the purpose of assessment against the terms of the Discontinuation Agreement (including, but not limited to, any compensation on termination payable).
		5.2	T&SCo's financing structure shall be in accordance with the Agreed Financing Principles and Approved Hedging Policy,

No.	Item	Commercial Terms
		each as set out in Appendix 1 of section D (<i>Discontinuation Agreement</i>).
6.	Definitions	<p>In this section B (<i>Conditions precedent to the GSP and other activities pre-Licence Award</i>), terms defined in the Licence heads of terms shall have the same meaning, and:</p> <p>"Agreed Financing Principles" means the agreed financing principles set out in Appendix 1 of section D (<i>Discontinuation Agreement</i>);</p> <p>"Approved Hedging Policy" means the approved hedging policy set out in Appendix 1 of section D (<i>Discontinuation Agreement</i>);</p> <p>"GSP" has the meaning given to it in section E (<i>Liaison Agreement</i>);</p> <p>"Insured Losses" has the meaning given in section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Insured Risks" has the meaning given in section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Insurance Schedule" means the insurance schedule appended to the SCA;</p> <p>"Lead Insurer Agreement" or "LIA" means the agreement to be entered into between the SoS and the lead insurers in respect of, amongst other things, claims handling and subrogation rights as set out at Appendix 2 of section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Licence" means the economic licence to be granted under HM Government's CCUS programme;</p> <p>"SCA" means the supplemental compensation agreement; and</p> <p>"Unavailable" has the meaning given to it in section C (<i>Supplemental Compensation Agreement</i>).</p>

C. SUPPLEMENTAL COMPENSATION AGREEMENT (SCA)

No.	Heading	Description
1.	Parties	<p>1.1 The Parties to the SCA will be:</p> <p>(a) SoS; and</p> <p>(b) T&SCo.</p>
2.	Commencement and Duration	<p>2.1 The term of the SCA shall commence on and from Licence Award and shall expire:</p> <p>(a) on revocation of the Licence, where SoS has not exercised its right to discontinue under the Discontinuation Agreement; or</p> <p>(b) on the date on which a Transfer Scheme (transferring T&SCo's Storage Permit to the transferee) comes into effect, where SoS has exercised its right to discontinue under the Discontinuation Agreement.</p>
3.	Insurance Schedule	<p>3.1 The SCA will include an insurance schedule which will detail the relevant insurance requirements in respect of each of the Insured Risks and Insured Losses (the "Insurance Schedule"). A draft version of the Insurance Schedule is set out in Appendix 1 (<i>Insurance Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>) and this may be updated from time to time in accordance with section 14 (<i>Variation to Insurance Schedule</i>).</p> <p>3.2 The Insurance Schedule provides the basis for protection for T&SCo under the Supplemental Compensation Agreement – see sections on Excess Loss Compensation and Unavailability Loss Compensation below.</p> <p>3.3 T&SCo has, prior to Licence Award, procured the placement of commercial insurances for each of the Insured Risks and Insured Losses in respect of the "initial period" as set out in paragraph 1.4(a) of the Insurance Schedule, other than in respect of:</p> <p>(a) [specified] Insured Risks; and</p> <p>(b) [specified] Insured Losses,</p> <p>for which commercial insurance is Unavailable at Licence Award.</p> <p>3.4 T&SCo has, prior to Licence Award, procured commitment to provision of commercial insurances for each of the Insured Risks and Insured Losses in respect of the "secondary period" as set out in paragraph 1.4(b) of the Insurance Schedule, other than in respect of:</p>

No.	Heading	Description
		<p>(a) [specified] Insured Risks; and</p> <p>(b) [specified] Insured Losses,</p> <p>for which commercial insurance is Unavailable at Licence Award.</p> <p>3.5 Prior to Licence Award, T&SCo shall procure under the terms of its commercial insurance that where an Insured Risk has occurred and caused an Insured Loss under paragraph 1.3(a) of the Insurance Schedule, any insurance proceeds shall be payable:</p> <p>(a) to T&SCo, from Licence Award to the date immediately preceding the Discontinuation Date; or</p> <p>(b) to SoS, on and from the Discontinuation Date.</p> <p>Note: loss payee mechanics to be considered further following feedback from insurance market on the cash settlement position.</p>
4.	Other insurances of T&SCo	<p>4.1 The requirements of the SCA are without limitation to any other insurances that T&SCo elects to procure as part of its ordinary course in managing risk in operating the T&S Network, including but not limited to cover for: business interruption; construction risk, employers' liability, professional indemnity, credit risk, property/pipeline cover, property damage, cover for delayed start-up and CO₂ leakage coverage beyond the requirements of the SCA.</p> <p>Note: wider insurance may play an important role, for example in the context of the Code, the wider obligations of the Licence and NSTA financial security.</p>
5.	Unavailability	<p>5.1 Subject to section 5.2, in relation to any Insured Risks or Insured Losses, if at Licence Award or on a Renewal Date:</p> <p>(a) commercial insurance is not available in respect of the Project (and any other Licensable Activities in the United Kingdom) in the worldwide insurance market with reputable insurers of Good Standing; or</p> <p>(b) the premium, sub-limits or retention under the insurance to cover the relevant Insured Risks or Insured Losses is such that the insurance cover is not commercially viable in accordance with section 5.3, or</p> <p>(c) there has been a material adverse change in the terms (excluding the premium, sub-limits and</p>

No.	Heading	Description
		<p>policy retentions) on which insurance in respect of any Insured Risks or Insured Losses is available,</p> <p>then commercial insurance in respect of each such Insured Risks or Insured Losses shall be regarded as "Unavailable" and Unavailability shall be construed accordingly.</p> <p>5.2 Any commercial insurance in respect of Insured Risks and/or Insured Losses shall only be treated as Unavailable if:</p> <ul style="list-style-type: none"> (a) such Unavailability has not occurred as a result of any criminal activity, fraud or wilful default by T&SCo; (b) a prudent board of directors of a company undertaking Licensable Activities would, acting reasonably and in the best interests of their company, cease to operate such business as a result of such Unavailability; and (c) such Insured Risks and/or Insured Losses are not covered by Commercial Insurances at Licence Award or continue to be covered by Commercial Insurances beyond the Renewal Date. <p>5.3 The commercial insurance for the relevant Insured Risks and/or Insured Losses will be considered not commercially viable pursuant to section 5.1(b) if the cost of the premium or other terms are such that a prudent board of directors of a company undertaking Licensable Activities would in similar circumstances, acting reasonably in the best interests of the company, resolve that such commercial insurance for the relevant Insured Risks and/or Insured Losses is not commercially viable.</p>
6.	Excess Loss Compensation	<p>6.1 If an event results in claims for Insured Losses that exceed the Applicable Policy Limit on a Commercial Insurance, the SoS will meet the amounts in respect of the Insured Losses which are in excess of the Applicable Policy Limit, up to the Sums Insured set out in the Insurance Schedule:</p> <ul style="list-style-type: none"> (a) only in respect of the loss which is in excess of the Applicable Policy Limit; (b) to the extent such loss would have been recoverable pursuant to the terms and conditions of such relevant Commercial Insurance but for the application of the Applicable Policy Limit; and (c) provided that liability of the provider(s) of the relevant Commercial Insurances (the "Primary

No.	Heading	Description
		<p>Insurance Provider(s)") has been agreed or determined under the terms of the applicable insurance policies up to the Applicable Policy Limit.</p> <p>6.2 The settlement of these claims will follow as far as is practical the terms of the Primary Insurance Providers and in accordance with the usual market position in respect of layered insurances.</p>
7.	Unavailability Loss Compensation	<p>7.1 The SoS will provide supplemental compensation protection in the case of the Unavailability of commercial insurance in respect of any Insured Risks and/or Insured Losses up to the Sums Insured set out in the Insurance Schedule.</p> <p><u>Terms of cover</u></p> <p>7.2 The supplemental compensation for the Unavailability of commercial insurance in respect of any Insured Risks and/or Insured Losses shall at the SoS's election:</p> <p>(a) replicate the terms of the relevant Commercial Insurances (if any) immediately prior to such Unavailability; or</p> <p>(b) where:</p> <p>(i) no Commercial Insurances applied immediately prior to such Unavailability; or</p> <p>(ii) the SoS considers (acting reasonably) that the Commercial Insurances that applied immediately prior to such Unavailability are no longer appropriate,</p> <p>replicate the terms of the other Commercial Insurances as extended to cover the relevant Insured Risks or Insured Losses that are Unavailable, on terms determined by the SoS (acting reasonably).</p> <p><u>Exclusions</u></p> <p>7.3 If any Unavailability has occurred as a result of any criminal activity, fraud or wilful default by a named insured party under the insurances listed in the Insurance Schedule, any loss suffered by that party is excluded from T&SCo's entitlement to claim under the SCA in relation to such Unavailability.</p> <p><u>Defences, exclusions and retentions</u></p>

No.	Heading	Description
		7.4 The SoS shall be entitled to rely on any defences, exclusions and retentions that apply in accordance with the provisions of section 7.2.
8.	Subsequent Recovery	<p>8.1 If and to the extent claims paid pursuant to the SCA are subsequently recovered from third parties, the SoS will expect these monies to be returned in full to prevent double payment of claims.</p> <p>8.2 The SoS will require the same rights of subrogation as any relevant Primary Insurance Provider(s).</p> <p>8.3 The Lead Insurer Agreement will address the relationship with Lead Insurers with regards to the rights of subrogation.</p>
9.	Claims Handling	<p>9.1 Claims handling under the SCA is to be consistent insofar as practicable with usual insurance market practices.</p> <p>9.2 The Lead Insurer Agreement will address the relationship with Lead Insurers with regards to claims handling and loss adjustment.</p>
10.	Failure to maintain Commercial Insurances	<p>10.1 If T&SCo fails to maintain any Commercial Insurances as set out in Appendix 1 to this section C (<i>Supplemental Compensation Agreement</i>) (other than as a result of any Unavailability), then the SoS may either:</p> <p>(a) pay any premiums required to keep the Commercial Insurances in force; or</p> <p>(b) procure the Commercial Insurances itself,</p> <p>and in each case, T&SCo shall be liable to the SoS in respect of any premiums paid by the SoS.</p>
11.	Renewal of Insurances	<p>11.1 T&SCo undertakes to provide prior notice to the SoS in respect of amendments to or the renewal of any Commercial Insurance policies in accordance with section 11.2. To the extent Commercial Insurances are amended or renewed in the absence of SoS approval, the SoS shall not be liable to pay any amount of Excess Loss Compensation (see section 6) or Unavailability Loss Compensation (see section 7) which would not have been incurred had such amendments to the relevant insurance policies not been made.</p> <p>11.2 The process around renewals of the Commercial Insurance will involve:</p> <p>(a) T&SCo giving not less than [sixty (60)] Business Days' notice to SoS of T&SCo's proposals in relation</p>

No.	Heading	Description
		<p>to the Commercial Insurances prior to their renewal or expiry.</p> <p>(b) The notice pursuant to section 11.2(a) shall include an outline of T&SCo's proposals on:</p> <p>(i) the changes to the Commercial Insurances since the date of the SCA or the previous Renewal Date; and</p> <p>(ii) any proposed changes in the settlement value of all assets required to be insured, insured amounts in respect of all risks insured, the amount of retentions and the applicable policy limit and any claims experience in respect of the existing insurance.</p> <p>(c) T&SCo shall then give not less than [thirty (30)] Business Days' notice to the SoS of the full details of T&SCo's proposals in relation to the Commercial Insurances prior to their renewal or expiry.</p> <p>(d) SoS will have an opportunity to comment on the outline of the insurance proposals notified by T&SCo pursuant to section 11.2(a) and also the full details of the proposals notified by T&SCo pursuant to section 11.2(c).</p> <p>(e) SoS will have [ten (10)] Business Days from receipt of notice of T&SCo's full insurance proposals pursuant to section 11.2(c) to consider whether it agrees or not with the full details of the insurance proposals notified by T&SCo pursuant to section 11.2(c) and SoS should not be entitled to unreasonably withhold or delay its consent to the proposals where such insurances are to be renewed on terms consistent with the Insurance Schedule.</p> <p>(f) If the SoS does not consent to the insurance proposals provided by T&SCo (acting reasonably pursuant to section 11.2(e)) or if T&SCo amends the terms of the insurances without the consent of SoS, T&SCo may continue to place the insurances but the SoS shall not be obliged to pay any amount of Excess Loss or Unavailability Loss to the extent that such loss would not have been incurred but for T&SCo placing or amending the insurance on such terms.</p> <p>Note: as a general note, time periods in these heads of terms remain under consideration by ESNZ.</p>

No.	Heading	Description
12.	T&SCo insurance market testing	<p>12.1 T&SCo shall undertake testing of the commercial insurance market as part of the process for renewal of Commercial Insurances pursuant to section 11 (<i>Renewal of Insurances</i>) to assess whether commercial insurances are available in respect of any Insured Risks or Insured Losses that were previously Unavailable. 11.2(c).</p> <p>12.2 At the SoS's request (such requests to be made no more than once in any twelve (12) month period and only where the SoS considers that commercial insurances may be available in respect of any Insured Risks or Insured Losses that were previously Unavailable), T&SCo shall undertake additional testing of the commercial insurance market.</p>
13.	Insurance assurance	<p>13.1 T&SCo shall provide an independent insurance broker's undertaking to the SoS (in a form and substance satisfactory to the SoS) on each Renewal Date, confirming that T&SCo has sufficiently tested the commercial insurance market in respect of each of the Insured Risks and Insured Losses and any Unavailability of commercial insurances.</p> <p>13.2 Following receipt of the independent insurance broker's undertaking pursuant to section 13.1, the SoS will satisfy itself that adequate and suitable quantum and coverage has been sought effectively by T&SCo and, where relevant has been obtained, or is otherwise Unavailable.</p> <p>13.3 The SoS may, at its own discretion, seek independent advice and request further information in respect of the undertaking provided by T&SCo pursuant to section 13.1 and T&SCo shall promptly comply with any such further information requests made by the SoS.</p>
14.	Variation to Insurance Schedule	<p>14.1 Subject to section 14.2, the SoS shall be entitled, on notice to T&SCo, to vary or amend the Insurance Schedule, including the Insured Risks and Insured Losses.</p> <p>14.2 The SoS shall not make any amendment to the Insurance Schedule if:</p> <p>(a) such amendment would materially and adversely affect:</p> <p>(i) the risk profile of T&SCo; and/or</p> <p>(ii) the ability of T&SCo to operate the T&S Network,</p> <p>and T&SCo has provided evidence, to the satisfaction of the SoS, that this would be the effect of such amendment; and/or</p>

No.	Heading	Description
		<p>(b) the SoS does not have the legal power or capacity to require the implementation of such an amendment,</p> <p>unless the SoS has obtained the prior written consent of T&SCo.</p> <p>14.3 Subject to section 14.4, T&SCo shall be entitled to request a variation or amendment to the Insurance Schedule, including the Insured Risks and Insured Losses, and such request shall be supported by evidence and an insurance broker's undertaking.</p> <p>14.4 SoS shall consider whether or not to implement such request and shall notify T&SCo of its decision whether to accept, request amendments or reject such request from T&SCo. This decision shall be at the sole discretion of the SoS.</p> <p>14.5 Any variation or amendment to the Insurance Schedule, including to the Insured Risks and Insured Losses, made pursuant to this section 14 shall take effect on and from the next Renewal Date following notice by the SoS to T&SCo, subject to such notice being given by the SoS to the T&SCo no later than [sixty (60)] Business Days prior to the next Renewal Date.</p>
15.	Consequences of Expiry	<p>15.1 Where the SCA expires pursuant to section 2.1, this will be without prejudice to the SoS's obligation to pay supplemental compensation for third party liabilities and claims:</p> <p>(a) in respect of events arising prior to or on the date of expiry of the SCA; and</p> <p>(b) notified to the SoS no later than, [three (3) years] after the date of expiry of the SCA.</p>
16.	Utmost Good Faith	<p>16.1 T&SCo acknowledges and agrees that it owes a duty of utmost good faith to the SoS.</p>
17.	SCA Fee	<p>17.1 The SoS will charge fees to T&SCo for support under the SCA (the "SCA Fee").</p> <p>Note:</p> <ul style="list-style-type: none"> <i>Methodology of calculation of the SCA Fee remains under consideration.</i> <i>The SCA Fee will reflect the pricing elements used on the commercial insurance market and will be based on a conservative estimate of the premium</i>

No.	Heading	Description
		<p><i>that T&SCo would be charged on the commercial insurance market (potentially plus a buffer).</i></p> <ul style="list-style-type: none"> <i>Consideration is being given to the SCA Fee including both a "commitment" fee and an "arrangement" fee. The commitment fee would provide for standby cover to address changes in availability of coverage on the commercial market. The arrangement fee would cover the costs of arranging SCA cover.</i> <i>Consideration is also being given to the level of retention applied. This should, as a minimum, be based on an assessment of the market position.</i> <p>17.2 On each Renewal Date, the SoS shall have the right to adjust the SCA Fee.</p>
18.	Undertakings	<p>18.1 T&SCo will provide certain information and other undertakings to the SoS in support of its obligations to maintain Commercial Insurances and other obligations under the SCA.</p>
19.	Dispute Resolution Procedure	<p>19.1 Any dispute arising out of or in connection with the SCA, including in relation to any amounts payable under or pursuant to the SCA (a "Relevant Dispute"), shall be resolved in accordance with the Dispute Resolution Procedure set out in this section 18.</p> <p>19.2 In the event of a Relevant Dispute, the matter shall first be referred to the Liaison Committee for resolution by the Parties.</p> <p>19.3 If the Relevant Dispute is not resolved by the Liaison Committee after a period of [ten (10)] Business Days on and from such referral (or such other period as agreed between the Parties in writing), either Party shall be entitled to refer the Relevant Dispute to identified senior representatives for resolution.</p> <p>19.4 If the Relevant Dispute is not resolved by the senior representatives after a further period of [ten (10)] Business Days on and from such referral to identified senior representatives (or such other period as agreed between the Parties in writing), then:</p> <p>(a) in the case of disputes arising pursuant to section 11 (<i>Renewals of Insurances</i>) or section 12 (<i>T&SCo insurance market testing</i>), either Party may refer the dispute for expert determination in accordance with the following procedure:</p>

No.	Heading	Description
		<ul style="list-style-type: none"> (i) the Parties shall first seek to agree the appointment of an expert within [five (5) Business Days]; (ii) if the Parties are unable to agree on the appointment of an expert within those [five (5) Business Days], the Parties agree that an expert shall be appointed by [the chair of the Association of British Insurers (ABI)/the Chartered Insurance Institute]; and (iii) the Relevant Dispute shall be referred to the expert for determination; and (b) in the case of any other disputes (and any appeal of an expert determination made pursuant to section 19.4(a)), either Party may refer the Relevant Dispute to the courts of England and Wales.
20.	Representatives and personnel	<p>20.1 Roles of the representatives of the Parties are to be developed, including delegated authority.</p> <p>20.2 T&SCo representative shall:</p> <ul style="list-style-type: none"> (a) manage and oversee compliance by T&SCo with its duties and obligations under the SCA; and (b) exercise any right and perform any obligation exercisable by or to be performed by the T&SCo representative under the SCA. <p>20.3 SoS representative shall:</p> <ul style="list-style-type: none"> (a) manage and oversee compliance by SoS with its duties and obligations under the SCA; and (b) exercise any right and perform any obligation exercisable by or to be performed by the SoS representative under the SCA.
21.	Assignment and Sub-Contracting	<p>21.1 The SCA shall benefit and bind Parties, their permitted assignees and respective successors and any reference in the SCA to any party shall be construed accordingly.</p> <p>21.2 The SCA will include restrictions on the assignment and/or transfer by T&SCo of any of its rights or obligations under the SCA (in whole or in part except) without the prior written consent of the SoS (such consent not to be unreasonably withheld or delayed), save that T&SCo will be permitted to create a security assignment in favour of its secured creditors (and SoS will assist in facilitating this, provided that all costs and expenses properly incurred by</p>

No.	Heading	Description
		SoS in giving effect to such assignment are paid by T&SCo).
		21.3 The SoS may, subject to the conditions to be set out in the SCA, transfer its rights or novate its obligations under the SCA to any Minister of the Crown or any entity directly wholly-owned by a Minister of the Crown.
22.	Confidentiality	<p>22.1 The SCA will set out confidentiality provisions which will apply to all Parties in respect of the Project. There will be customary exceptions.</p> <p>22.2 The SCA sets out that the SoS is, and that T&SCo may become subject to, the requirements of the FOIA and the Environmental Information Regulations and each Party shall facilitate compliance by the other Party with its information disclosure requirements pursuant to the FOIA and the Environmental Information Regulations.</p>
23.	Survivorship	23.1 Following the expiry of the SCA, each Party shall cease to have rights or obligations under the SCA, save that the rights in respect of claims under the SCA for Insured Losses in respect of any Insured Risk that occurred prior to expiry of the SCA, under section 6 (<i>Excess Loss Compensation</i>), section 7 (<i>Unavailability Loss Compensation</i>), section 8 (<i>Subsequent Recovery</i>), section 15 (<i>Consequences of Expiry</i>), section 19 (<i>Dispute Resolution Procedure</i>), section 22 (<i>Confidentiality</i>) and section 25 (<i>Governing Law</i>) will continue in full force and effect.
24.	Rights of Third Parties	24.1 A person who is not a Party to the SCA shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
25.	Governing Law	25.1 The SCA shall be governed by and construed in accordance with English law and the courts of England and Wales shall have exclusive jurisdiction.
26.	Definitions	<p>In this section C (<i>Supplemental Compensation Agreement</i>), terms defined in the Licence heads of terms shall have the same meaning and:</p> <p>"Applicable Policy Limit" means, in respect of each of the Commercial Insurances, the applicable policy indemnity limits for such Commercial Insurance;</p> <p>"Approved T&S Network" has the meaning given to it in the Licence heads of terms, as at Licence Award;</p> <p>"Commercial Insurances" means the commercial insurances placed by T&SCo in respect of each of the Insured Risks and Insured Losses;</p>

No.	Heading	Description
		<p>"Corrective Measures" has the meaning given to that term in the Carbon Dioxide Storage Regulations;</p> <p>"Discontinuation Date" has the meaning given in section D (<i>Discontinuation Agreement</i>);</p> <p>"Discontinue" has the meaning given in section D (<i>Discontinuation Agreement</i>);</p> <p>"Dispute Resolution Procedure" means the procedure for the resolution of disputes set out in section 19 (<i>Dispute Resolution Procedure</i>) of this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Environmental Information Regulations" means the Environmental Information Regulations 2004 (as amended);</p> <p>"Excess Loss Compensation" means the compensation payable by SoS on the terms set out at section 6 (<i>Excess Loss Compensation</i>) of this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"FOIA" means the Freedom of Information Act 2000 (as amended);</p> <p>"Good Standing" means in relation to a commercial insurer that such insurer is:</p> <ul style="list-style-type: none"> (i) a UK authorised insurer (that is, regulated by the Prudential Regulation Authority or any successor body) or European Economic Area (EEA) authorised insurer operating in the UK); and (ii) an issuer that has a long-term rating of a minimum of A- by S&P Global Ratings (Standard & Poor's) or a minimum of A3 by Moody's Investors Service, or an equivalent rating by another recognised ratings agency; <p>"Insurance Schedule" has the meaning given to it in Appendix 1 (<i>Insurance Schedule</i>) of this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Insured Losses" has the meaning given in Appendix 1 (<i>Insurance Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Insured Risks" has the meaning given in Appendix 1 (<i>Insurance Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Lead Insurer Agreement" or "LIA" means the agreement to be entered into between the SoS and the lead insurers in respect of, amongst other things, claims handling and subrogation rights</p>

No.	Heading	Description
		<p>as set out at Appendix 2 of section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Lead Insurers" has the meaning given to it in Appendix 2 of this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Leakage" means any release of CO₂ from the Storage Complex;</p> <p>"Liaison Committee" has the meaning given to it in Section E (<i>Liaison Agreement</i>);</p> <p>"Licence" means the economic licence to be granted under HM Government's CCUS programme;</p> <p>"Licensable Activities" means such activities described at section 2 of the Act;</p> <p>"Minister of the Crown" shall have the meaning given to it in the Minister of the Crown Act 1975;</p> <p>"Post Closure Period" has the meaning given to that term in the Carbon Dioxide Storage Regulations;</p> <p>"Primary Insurance Provider(s)" has the meaning given to it in section 6 (<i>Excess Loss Compensation</i>) of this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Principal Exclusions" are as set out in paragraph 1.10 of Appendix 1 (<i>Insurance Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Relevant Dispute" has the meaning given to it in section 19.1 (<i>Dispute Resolution Procedure</i>) of this Section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Renewal Date" means a renewal date in respect of any Commercial Insurances or any date on which T&SCo undertakes market testing of the commercial insurance market pursuant to section 12 (<i>T&SCo insurance market testing</i>) of this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"SCA Fee" has the meaning given to it in section 17.1 (<i>SCA Fee</i>) of this Section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Significant Irregularity" has the meaning given in Appendix 1 (<i>Insurance Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Specified Significant Irregularity" or "SSI" has the meaning given in Appendix 1 (<i>Insurance Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Sums Insured" means the sums set out at paragraph 1.5 of section 3 (<i>Insurance Schedule</i>) of Appendix 1 (<i>Insurance</i></p>

No.	Heading	Description
		<p><i>Schedule</i>) to this section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Storage Complex" has the meaning given to that term in the Carbon Dioxide Storage Regulations and as such Storage Complex is identified as part of the Approved T&S Network;</p> <p>"Storage Permit" has the meaning given to that term in the Carbon Dioxide Storage Regulations and as such Storage Permit relates to the Approved T&S Network;</p> <p>"Storage Site" has the meaning given to that term in the Carbon Dioxide Storage Regulations and as such Storage Site is identified as part of the Approved T&S Network;</p> <p>"Transfer Scheme" means a transfer scheme instituted by the SoS in respect of the T&S Network under section [50] of the Act;</p> <p>"T&SCo Successor" means the successor entity to T&SCo pursuant to a Transfer Scheme;</p> <p>"Unavailable" has the meaning given to it in section 7 (<i>Unavailability Loss Compensation</i>) of this section C (<i>Supplemental Compensation Agreement</i>); and</p> <p>"Unavailability Loss Compensation" has the meaning given to it in section 7 (<i>Unavailability Loss Compensation</i>) of this section C (<i>Supplemental Compensation Agreement</i>).</p>

Appendix 1 to Section C (Supplemental Compensation Agreement): Draft Insurance Schedule

Insurance Schedule

Note: the SCA heads of terms and the Insurance Schedule in particular, remain subject to consideration and engagement with the commercial insurance market and ongoing diligence by technical advisers.

1.1 Insured

- (a) T&SCo;
- (b) the Secured Creditors;
- (c) the sub-contractors of T&SCo;
- (d) the regulators (Ofgem, the North Sea Transition Authority (NSTA) and Offshore Petroleum Regulator for Environment and Decommissioning (OPRED), the Health and Safety Executive (HSE));
- (e) the SoS;
- (f) suppliers, manufacturers, professional consultants and engineers for their site activities only in connection with the carrying out of works; and
- (g) employees, directors and officers of the above,

each for their respective rights and interests.

1.2 Insured Risks

Insured Risks means any of the following risks:

- (a) physical damage to infrastructure assets, including that attributable to machinery breakdown, at a Storage Site; or
- (b) any physical damage to a well (including any legacy well) or a well blowout at a Storage Complex; or
- (c) geological conditions at a Storage Complex,

which, in each case, results in:

(A) during the period of injection of CO₂ at that Storage Site or Storage Complex:

- (i) Leakage, that obliges T&SCo under its Storage Permit to suspend the injection of CO₂ at that Storage Site (including where such suspension results from Corrective Measures or a direction from NSTA); and/or
- (ii) in the case of paragraph (c), a Specified Significant Irregularity that obliges T&SCo under its Storage Permit to suspend the injection of CO₂ at that Storage Site for a minimum period of three (3) years (including where such suspension results from Corrective Measures or a direction from NSTA), or

(B) during the Post Closure Period at that Storage Site, any Leakage or Specified Significant Irregularity at that Storage Complex.

(the "**Insured Risks**").

Note: definition of Insured Risks subject to further insurance/technical input.

The Insured Risks may be caused either by a single event or may emerge over a longer period of time through monitoring of the Storage Complex.

"Significant Irregularity" means any irregularity in the injection or storage operations at the Storage Site or in the condition of the Storage Complex, which implies the risk of a Leakage and/or risk to the environment or human health;

"Specified Significant Irregularity" or "SSI" means a Significant Irregularity which implies the risk of a Leakage and which arises from one of the following implied risks:

- (i) unexpected, measured or interpreted pressures and/or plume locations that imply the risk of failure to geological containment of CO₂ (including seals, cap rocks, faults, adjoining aquifers or other means of geological containment) at that Storage Complex, when operating within the permitted operating limits within the Storage Permit;
- (ii) any seismicity that implies the risk of Leakage at that Storage Complex;
- (iii) any geological aseismic movement caused by CO₂ injection at that Storage Complex that implies the risk of Leakage at that Storage Complex; and/or
- (iv) an environmental event caused by CO₂ injection at that Storage Complex (which may additionally include significant unplanned leakage of brine, heavy metals, oil, gas, H₂S, and/or other toxins) that implies the risk of Leakage at that Storage Complex.

1.3 Insured Losses

Insured Losses means the following costs, losses and liabilities arising from the Insured Risks (up to the Sums Insured and subject to the Principal Exclusions):

- (a) costs resulting from (as applicable):
 - (i) reinstatement of infrastructure at the Storage Site, by way of implementation of Corrective Measures or a direction from NSTA; or
 - (ii) reinstatement of a well (including any legacy well) or control of a well blow out at the Storage Complex, by way of implementation of Corrective Measures or a direction from NSTA; or
 - (iii) geological remediation of the Storage Complex, by way of implementation of Corrective Measures or a direction from NSTA,provided that, in the case of abandonment of the Storage Site, the cash settlement value at paragraph 1.9(a) shall apply;
- (b) delay in start-up/business interruption costs (covering loss of Use of System Charges) in the event that suspension of injection of CO₂ at the Storage Site (as specified in paragraph 1.2(A)) is required;

Note: limb (b) remains under review in the context of consideration of the interplay between business interruption insurance and the Licence, RSA, GSP and Code. Provisions reflecting the following principles are to be incorporated:

- (i) T&SCo to be under an obligation to procure asset damage insurance and associated BI insurance to the extent available;

(ii) Code to provide for suspension of T&S charges to the extent covered by the BI insurance procured pursuant to the above obligation; and

(iii) RSA to treat amounts recoverable under the BI insurance procured pursuant to the above obligation as Market Revenues.

Detailed drafting to be developed, including scoping of procurement obligation and definition of amounts recoverable.

Note: position regarding use of CO2 for commissioning remains under review with NSTA.

- (c) any environmental remediation costs necessary to comply with relevant legal requirements at the time of the occurrence of the Insured Risk and/or any Storage Permit obligations, including costs associated with clean-up and third-party damage; and

- (d) costs relating to the purchase of UK ETS allowances in respect of Leakage,

(the "**Insured Losses**").

Note: definition of Insured Losses subject to further insurance/technical input

1.4 **Period**

- (a) Initial Period – Construction and Commissioning

The initial period of cover will run from Licence Award and will remain in effect during the Construction Phase and Commissioning Phase, ending on the Commercial Operations Date. The initial period of cover will not require cover for Insured Risks that result in Specified Significant Irregularities.

- (b) Secondary Period – First phase of operations

The secondary period of cover will run from the Commercial Operations Date up to the end of the First Regulatory Period (unless otherwise required by SoS to achieve an economic and efficient outcome).

- (c) Subsequent Periods

The subsequent periods of cover (with renewals at each Periodic Review under the Licence unless otherwise required to achieve an economic and efficient outcome) will run:

- (i) during the period from the end of the First Regulatory Period until start of the Post Closure Period at the Storage Site; and
- (ii) during the Post Closure Period until termination pursuant to The Storage of Carbon Dioxide (Termination of Licences) Regulations 2011.

During the Post Closure Period the following elements of this Insurance Schedule will cease to apply:

- (i) settlement costs in the event of total abandonment of the Storage Site pursuant to paragraph 1.3(a); and

- (ii) delay in start-up/business interruption pursuant to paragraph 1.3(b).

1.5 Sums Insured

The Sums Insured for the purposes of Excess Loss Compensation and Unavailability Loss Compensation in respect of the Insured Losses are as follows:

Insured Loss	Reference	Sum insured (indexed)
Infrastructure remediation	1.3(a)	Reinstatement / remediation costs
Geological remediation	1.3(a)	[To be specified]
Business interruption	1.3(b)	[To be specified]
Environmental liabilities	1.3(c)	[To be specified]
Carbon UK ETS liabilities	1.3(d)	[To be specified]

Note: position on indexation of Sums Insured subject to confirmation by ESNZ.

1.6 Geographical Limits

Geographical limits for the SCA insurance requirement relate to the management of CO₂ leakage risk offshore, specifically arising at the Storage Complex [which is to include the precise location and delimitation of the Storage Site and the Storage Complex].

1.7 Retentions

Insurance retentions relate to the first loss amount borne by the T&SCo in the event an Insured Risk occurring. These retentions should align with the market standard.

Where there is an opportunity for the T&SCo to decide upon the level of premia versus the level of retentions, there will be pre-agreed parameters determined upfront with SoS.

1.8 Principal Extensions

Any extension to the cover in this Insurance Schedule should be priced separately unless there is no differential.

1.9 Principal Inclusions

Principal inclusions for cover will include the following:

- (a) cash settlement clause in respect of abandonment of the Storage Site referenced at paragraph 1.3(a); and
- (b) market standard non-vitiation clause/innocent insured clause.

1.10 Principal Exclusions

Principal exclusions from cover will include the following:

- (a) any fines and penalties borne by T&SCo;
- (b) tangible environmental damage or environmental remediation costs to third parties beyond what is necessary to comply with relevant legal requirements and Storage Permit requirements;
- (c) any normal operating costs incurred by T&SCo, including operating, maintenance

(whether preventative or reactive which should be carried out as a matter of good industry practice) and management costs associated with the operation of the T&S Network in the Operational Phase and, in each case as eligible for assessment as part of the T&SCo's Allowed Revenue;

- (d) any costs related to constraints on the level of CO₂ injection or the capacity of the Storage Complex either before or after (i) any Leakage or (ii) a Specified Significant Irregularity at the Storage Complex, has occurred, where such constraints do not amount to suspension of CO₂ injection at the Storage Site (as specified in paragraph 1.2(A)); and
- (e) any costs or liabilities of Users arising from the Insured Risks.

1.11 **Loss Payee**

Where an Insured Risk has occurred and caused an Insured Loss under paragraph 1.3(a) of this Insurance Schedule, any amount shall be payable:

- (a) to T&SCo, from Licence Award to the date immediately preceding the Discontinuation Date; or
- (b) to SoS, on and from the Discontinuation Date.

Note: *loss payee mechanics to be considered further following feedback from insurance market on the cash settlement position.*

Appendix 2 to Section C (Supplemental Compensation Agreement): Lead Insurer Agreement heads of terms

Note: provisions to address the interface with SoS and insurers remain subject to development and subject to insurance market feedback.

No.	Heading	Description
1.	Parties	<p>1.1 The Parties to the LIA will be:</p> <p>(a) SoS; and</p> <p>(b) Lead Insurers.</p>
2.	Purpose	<p>2.1 The purpose of the LIA shall be to govern the relationship between the Parties in respect of the sharing of information and the assessment and settlement of claims for which the SoS may be liable in accordance with the terms of the SCA.</p> <p>2.2 It is anticipated that each Lead Insurer in respect of the Insurances will put arrangements in place with the Insurers to allow that Lead Insurer to comply with its obligations under this Agreement.</p>
3.	Commencement and Duration	<p>3.1 The term of the LIA shall commence on and from Licence Award and shall expire on expiry of the SCA in accordance with its terms.</p>
4.	Noting of SoS's interest	<p>4.1 The Lead Insurers shall acknowledge the SoS's role and interest as provider of contingent financial support under the SCA in respect of:</p> <p>(a) Excess Loss; and</p> <p>(b) claims where a risk covered by an Insurance becomes Unavailable,</p> <p>in each case as set out in the SCA.</p>
5.	Acknowledgment of the LIA by all Lead Insurers	<p>5.1 Each Lead Insurer shall, in respect of the Insurances:</p> <p>(a) ensure that each Insurer in that Lead Insurer's layer of the Insurance from time to time is given a copy of the LIA; and</p> <p>(b) use reasonable endeavours to procure that each Insurer acknowledges the terms of the LIA by signing an acknowledgment and returning it to relevant Lead Insurer who shall then provide a copy to the SoS.</p>
6.	Sharing of information, reports and notices	<p>6.1 The Lead Insurers for the Insurance shall (directly or through the project appointed broker or loss adjuster) promptly, and in any event within [ten (10)] Business Days of becoming aware, notify the SoS whether in its or their reasonable opinion any claim or series of claims in</p>

No.	Heading	Description
		<p>relation to the Insurances (in each case anticipated or actual) is likely to exceed (a) [fifty per cent (50%)] of the Applicable Policy Limit for such Insurance and/or (b) the cover provided by the relevant Lead Insurer's layer of such Insurance (a "Threshold Claim").</p> <p>6.2 Each Lead Insurer, directly or through a nominated third party, shall provide the SoS with a quarterly summary of all claims, decisions, determinations, settlements and payments under the Insurances or layer of Insurance (as the case may be) in respect of which it is the Lead Insurer.</p> <p>6.3 If requested by the SoS, each Lead Insurer shall, as soon as reasonably practicable provide the SoS with any formal risk, survey or other report, and any other information referred to in section 6.4 in relation to the Insurances, provided that:</p> <ul style="list-style-type: none"> (a) the legal professional privilege attaching to any such information shall not be waived by the provision of such information; (b) the confidentiality of any such information shall be strictly maintained in accordance with the confidentiality provisions that will be set out in the LIA and shall not be disclosed without the prior written consent of the Lead Insurer; and (c) where any report or advice requested by the SoS: <ul style="list-style-type: none"> (i) relates solely to a Disputed Claim, the Lead Insurers shall be under no obligation to provide such report or advice to the SoS; or (ii) refers to a Disputed Claim but covers topics or information in addition to the relevant Disputed Claim, the Lead Insurers may redact the relevant report or advice to the extent it relates to the Disputed Claim from the copy provided to the SoS. <p>6.4 The other information that may be requested under section 6.3 may include expert reports, loss adjuster reports or external legal advice (available to or received by more than one Insurer), risk surveying programmes and any site issues raised by any Lead Insurer's risk surveyor in connection with the Project.</p> <p>6.5 Where a Lead Insurer obtains or procures any reports or advice in connection with the Insurances, that Lead Insurer shall use reasonable endeavours to ensure that the SoS is entitled to rely on such reports or advice.</p>

No.	Heading	Description
7.	Appointments of loss adjusters	<p>7.1 The Lead Insurer shall notify the SoS of any proposed appointment of any loss adjuster, other expert or adviser in relation to any Insurance</p> <p>7.2 The Lead Insurer shall, at the request of the SoS, ensure that the appointment allows the SoS to:</p> <ul style="list-style-type: none"> (a) access the advice and reports prepared by the relevant loss adjuster, expert or adviser; and (b) rely upon that appointment, <p>in each case on the terms set out in section 12 (<i>Costs and Expenses</i>).</p> <p>7.3 Where an advice or report of any loss adjuster, expert or adviser referred to above:</p> <ul style="list-style-type: none"> (a) relates solely to a Disputed Claim, the Lead Insurers shall be under no obligation to provide such report or advice to the SoS; or (b) refers to a Disputed Claim but covers topics or information in addition to the relevant Disputed Claim, the Lead Insurers may redact the relevant advice and report to the extent it relates to the Disputed Claim from the copy provided to SoS.
8.	Participation in insurance meetings by the SoS	<p>8.1 The Lead Insurers shall invite the SoS to, and the SoS shall be entitled to attend and participate in, all reporting, monitoring and claims related meetings and conference calls (other than any internal meetings or calls held by individual Insurers) relating to the Insurances.</p> <p>8.2 To the extent that a meeting or conference call referred to in section 8.1 relates to a Disputed Claim, the SoS shall not be entitled to attend and participate in the part of the meeting in which the attendees discuss the Disputed Claim.</p>
9.	Notification of Claims	<p>9.1 In relation to any Threshold Claim, the relevant Lead Insurer shall provide to the SoS:</p> <ul style="list-style-type: none"> (a) any notices received or issued by the relevant Lead Insurer, including in respect of any notices received by other Insurers in the relevant Lead Insurer's layer that have been copied to the Lead Insurer; (b) details relating to the appointment of claims handlers and loss adjusters, lawyers and other experts or advisers;

No.	Heading	Description
		<p>(c) any reports commissioned or received by the relevant Lead Insurer; and</p> <p>(d) information on claim assessments, any proposed settlement and actual settlements.</p> <p>9.2 In relation to any other claim in relation to the Insurances, each Lead Insurer shall promptly supply the information set out above to the SoS upon the SoS's request.</p> <p>9.3 In relation to any Threshold Claim under the Insurances, each of the Lead Insurers shall:</p> <p>(a) following any decision or determination in respect of settlements or payments under the Insurances, promptly notify the SoS in writing of such decision or determination, including details as to quantum; and</p> <p>(b) following any payment under the Insurances, promptly notify the SoS in writing of the details of such payments.</p>
10.	Conduct of proceedings in respect of Threshold Claims	10.1 In relation to any Threshold Claim, the Lead Insurers shall, ensure that any appointed loss adjuster shall, consult with the SoS in relation to the initiation and conduct of any proceedings.
11.	Subrogation	11.1 The Lead Insurers shall consult with the SoS in relation to any proposed exercise of subrogation rights in relation to the Insurances and the process of any exercise of subrogation rights which have been instituted.
12.	Costs and expenses	<p>12.1 The SoS shall not be required to pay any amounts or fees in relation to the provision to it of any information under the LIA or for the SoS's attendance and participation in meetings under the LIA.</p> <p>12.2 Subject to section 12.3, in relation to the costs and expenses incurred with respect to any loss adjuster(s) and any other experts or advisers that have been appointed by the SoS and a Lead Insurer, such costs and expenses shall be shared between the SoS proportionally to the ratio that the Insurers' liability incurred under the Insurances bears to the SoS's liability incurred under the SCA for the relevant claim(s).</p> <p>12.3 If the SoS instructs a loss adjuster appointed by the SoS and a Lead Insurer to undertake activities and the relevant Lead Insurer(s) do not (acting reasonably) agree that the relevant activities are necessary, the SoS shall be responsible for the costs and expenses specified in section</p>

No.	Heading	Description
		12.2 that are incurred solely in connection with such activities.
13.	Accession of a replacement or additional Lead Insurer	13.1 Where a replacement or additional Lead Insurer is appointed for any Insurance after the date of the LIA, the Parties acknowledge that the replacement or additional Lead Insurer shall be required to execute a deed of adherence to accede to the terms of the LIA.
14.	Removal of Lead Insurer	14.1 Where a Lead Insurer ceases to be a Lead Insurer after the date of the LIA, the relevant Lead Insurer shall be released from its obligations to the SoS under this Agreement, without prejudice to any existing claims or liabilities of that Lead Insurer as at the date they cease to be a Lead Insurer.
15.	Confidentiality	<p>15.1 The LIA will set out confidentiality provisions which will apply to all Parties in respect of the Project. There will be customary exceptions.</p> <p>15.2 The LIA sets out that the SoS is, and that Lead Insurers may become subject to, the requirements of the Freedom of Information Act ("FOIA") and the Environmental Information Regulations and each Party shall facilitate compliance by the other Party with its information disclosure requirements pursuant to the FOIA and the Environmental Information Regulations.</p>
16.	Assignment	<p>16.1 The LIA shall benefit and bind Parties, their permitted assignees and respective successors and any reference in the SCA to any Party shall be construed accordingly.</p> <p>16.2 The LIA will include restrictions on the assignment and/or transfer by T&SCo of any of its rights or obligations under the LIA (in whole or in part except) without the prior written consent of the SoS (such consent not to be unreasonably withheld or delayed), save that T&SCo will be permitted to create a security assignment in favour of its secured creditors (and SoS will assist in facilitating this, provided that all costs and expenses properly incurred by SoS in giving effect to such assignment are paid by T&SCo).</p> <p>16.3 The SoS may, subject to the conditions to be set out in the LIA, transfer its rights or novate its obligations under the LIA to any Minister of the Crown or any entity directly wholly-owned by a Minister of the Crown.</p>
17.	Dispute Resolution Procedure	17.1 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute arising out of or in connection with the LIA.

No.	Heading	Description
18.	Governing Law	18.1 The LIA shall be governed by and construed in accordance with English law and the courts of England and Wales shall have exclusive jurisdiction.
19.	Definitions	<p>"Applicable Policy Limit" means, in respect of each Insurance, the applicable policy indemnity limits for such Insurance set out in paragraph 1.5 (<i>Sums Insured</i>) of Appendix 1 (<i>Draft Insurance Schedule</i>) to the SCA, as those policy indemnity limits may be amended from time to time;</p> <p>"Disputed Claim" means a claim under the Insurances made by a named insured for which:</p> <ul style="list-style-type: none"> (a) the Insurers have denied indemnity and liability under the Insurances to the relevant named insured; and (b) such named insured is disputing or challenging the relevant denial of indemnity and liability under the Insurances; <p>"Environmental Regulations" means the Environmental Information Regulations 2004 (as amended);</p> <p>"FOIA" means the Freedom of Information Act 2000 (as amended);</p> <p>"Insurances" means the insurance policies referred to in Insurance Schedule appended to the SCA heads of terms;</p> <p>"Insurers" means, in respect of each Lead Insurer, any insurers within its layer of the Insurances and/or any re-insurers;</p> <p>"Lead Insurers" has the meaning given to that term in section 1 (<i>Parties</i>), being the lead insurers for each layer of each of the Insurances (as amended from time to time by section 13 (<i>Accession of a replacement or additional Lead Insurer</i>) and section 14 (<i>Removal of Lead Insurer</i>)), as listed as at the date of the LIA in a schedule and each of the Lead Insurers shall be a "Lead Insurer";</p> <p>"Minister of the Crown" shall have the meaning given to it in the Minister of the Crown Act 1975;</p> <p>"Project" means the CCUS project;</p> <p>"SCA" means the supplemental compensation agreement; and</p> <p>"Threshold Claim" has the meaning given to it in section 6 (<i>Sharing of information, reports and notices</i>) of this heads of terms.</p>

D. DISCONTINUATION AGREEMENT (DA)

No.	Heading	Description
1.	Parties	<p>1.1 The Parties to the Discontinuation Agreement will be:</p> <p>(a) SoS; and</p> <p>(b) T&SCo.</p> <p>Note: ESNZ would anticipate that there would be provision for assignment of the Discontinuation Agreement to the Security Trustee under T&SCo's security arrangements – it is therefore not proposed that the security trustee is party to the Discontinuation Agreement.</p>
2.	Commencement and Duration	<p>2.1 Subject to section 23 (<i>Survivorship</i>), the term of the Discontinuation Agreement shall commence on and from Licence Award and shall expire on the later of:</p> <p>(a) expiry of the SCA; and</p> <p>(b) expiry of the RSA..</p>
3.	Discontinuation	<p>3.1 Subject to sections 3.2–3.5, the SoS will have the right (but not the obligation) in its absolute discretion, to Discontinue the provision of the GSP on or where:</p> <p>(a) claims, individually or in aggregate with all other previous claims, under the SCA have exceeded a minimum of two hundred million pounds (£200,000,000) (indexed) in the aggregate or such higher amount as arises from adjustments in accordance with section 4.4 ("SCA Discontinuation Threshold");</p> <p>(b) pursuant to section 5 (<i>Unavailability</i>) of section C (<i>Supplemental Compensation Agreement</i>), the conditions for supplemental compensation protection in respect of Unavailability of commercial insurance for any of the Insured Risks or Insured Losses have been satisfied at any Renewal Date;</p> <p>(c) if the aggregate claims for Difference Payments under the RSA are forecast to exceed sixty (60)% of Allowed Revenue in each of the next three Charging Years, as forecast in accordance with section 5.1 and subject to section 5.3 ("RSA Discontinuation Threshold"); or</p> <p>(d) the SoS and T&SCo agree in writing that the GSP should be Discontinued,</p>

No.	Heading	Description
		(each a " Discontinuation Event ").
3.2		Either Party may, at any time prior to service of a Discontinuation Notice by the SoS pursuant to section 3.5, submit a proposal to the Liaison Committee that the GSP should be Discontinued, and upon such referral the Liaison Committee shall consider and discuss such proposal(s) as soon as reasonably practicable and in any event within [ten (10)] Business Days.
3.3		Either Party may, at any time prior to service of a Discontinuation Notice by the SoS pursuant to section 3.5, serve notice in writing to the other Party, copied to the Regulator, if it considers that a Discontinuation Event has occurred (a " Potential Discontinuation Event Notice ").
3.4		The Parties shall meet as soon as reasonably practicable to discuss the Potential Discontinuation Event Notice and seek to agree whether a Discontinuation Event has occurred.
3.5		<p>The SoS shall within [nine (9) months] of agreement by the Parties pursuant to section 3.4, or a determination under the terms of the Discontinuation Agreement, that a Discontinuation Event has occurred:</p> <p>(a) where the Discontinuation Event is triggered pursuant to either of section 3.1(b) to section 3.1(d),</p> <p style="padding-left: 40px;">(i) serve a Discontinuation Notice on T&SCo, copied to the Regulator; or</p> <p style="padding-left: 40px;">(ii) confirm that it has elected not to serve a Discontinuation Notice on T&SCo, and</p> <p>(b) where the SCA Discontinuation Threshold is triggered pursuant to section 3.1(a):</p> <p style="padding-left: 40px;">(i) serve a Discontinuation Notice on T&SCo, copied to the Regulator;</p> <p style="padding-left: 40px;">(ii) confirm that it has elected not to serve a Discontinuation Notice on T&SCo; or</p> <p style="padding-left: 40px;">(iii) provide an update to T&SCo, in writing, on the progress of its decision on whether or not the SoS will elect to Discontinue (including in such update, a new time period for making its decision and issuing a Discontinuation Notice).</p>

No.	Heading	Description
		<p>3.6 A "Discontinuation Notice" shall specify:</p> <ul style="list-style-type: none"> (a) the Discontinuation Event that has given rise to the right of the SoS to Discontinue; (b) the Discontinuation Date. <p>3.7 In the event that the SoS elects not to Discontinue pursuant to section 3.5, the SoS waives its right to Discontinue on that basis, provided that such waiver shall be without prejudice to the right of the SoS to Discontinue on the agreement or determination of any future Discontinuation Event.</p> <p>3.8 Where the SoS has served a Discontinuation Notice pursuant to section 3.5 and the SCA is continuing, the SoS shall be entitled to serve a second Potential Discontinuation Event Notice and/or Discontinuation Notice, in accordance with the process in this section 3 (<i>Discontinuation</i>) in the event that a further Discontinuation Event occurs.</p>
4.	SCA Discontinuation Threshold	<p>4.1 Following service of a Potential Discontinuation Event Notice, T&SCo shall provide to SoS its estimate of and evidence in support of:</p> <ul style="list-style-type: none"> (a) aggregate amount of claims already made under the SCA for the Insured Losses arising from any Insured Risk that has already occurred; and (b) a forecast of any claims not yet made under the SCA for Insured Losses arising from an Insured Risk that has already occurred, (c) [other], <p>assured by an independent broker, within [twenty (20)] Business Days.</p> <p>4.2 The SoS shall assess the information and estimate provided by T&SCo pursuant to section 4.1 as soon as reasonably practicable and seek to agree an amount for the purposes of the SCA Discontinuation Threshold.</p> <p>4.3 The SoS may, at its discretion, seek independent advice and request further information or updated forecasts in respect of the information provided pursuant to section 4.1 and T&SCo shall promptly comply with any such further information requests made by the SoS.</p> <p>4.4 If any claims under the SCA, individually or in aggregate with all other previous claims, exceed the then current SCA Discontinuation Threshold and the SoS has not exercised its right to Discontinue pursuant to section 3.5</p>

No.	Heading	Description
		<p>(<i>Discontinuation</i>), then the current SCA Discontinuation Threshold shall be increased by a figure of one hundred million pounds (£100,000,000) (indexed) or above in the first instance, and thereafter by such other figure (indexed) as the SoS may specify in its sole direction.</p>
5.	RSA Discontinuation Threshold	<p>5.1 In conjunction with the process for setting the Allowed Revenue and associated User charges for each Charging Year:</p> <ul style="list-style-type: none"> (a) T&SCo will provide the SoS with a forecast of the Allowed Revenue for each of the next three Charging Years and a forecast of the revenues expected to be collected from User charges pursuant to the CCS Network Code, based on Users which have acceded to the CCS Network Code or which have reached [<i>a specified stage of application for accession</i>]; (b) T&SCo shall also provide evidence to the SoS that the Regulator has reviewed and assured or confirmed the forecasts referred to in section 5.1(a) (as applicable) , to the extent the Regulator is required to do so under the Licence or the CCS Network Code; and (c) the SoS will determine whether or not the RSA Discontinuation Threshold has been exceeded using the assured or confirmed forecasts. <p>5.2 The SoS may, at its discretion, seek independent advice and request further information or updated forecasts in respect of the information provided pursuant to section 5.1 and T&SCo shall promptly comply with any such further information requests made by the SoS.</p> <p>5.3 For the purposes of section 3.1(c) (<i>Discontinuation</i>), the following provisions shall apply in relation to the operation of Pre-operations Difference Payments:</p> <ul style="list-style-type: none"> (a) for any Charging Year or Charging Years in respect of which (or part of which) it is forecast that Pre-operations Difference Payments will be payable pursuant to section 8.1(a) of the RSA, such Charging Year(s) will not be treated as a Charging Year or Charging Years for the purposes of section 3.1(c) (<i>Discontinuation</i>); and (b) subject to section 5.3(a), for any Charging Year(s) in respect of which (or part of which) it is forecast that Pre-operations Difference Payments will be payable pursuant to section [8.1(b)] of the RSA, the Allowed Revenue in such Charging Year(s) will be forecast as zero and, accordingly,

No.	Heading	Description
		automatically result in the aggregate claims for Difference Payments under the RSA exceeding sixty (60)% of Allowed Revenue in such Charging Year(s).
6.	Consequences of Discontinuation	<p>6.1 Subject to section 6.2 and section 6.3, an election by the SoS to Discontinue will result in:</p> <ul style="list-style-type: none"> (a) a calculation of compensation payable in respect of debt/equity investors in T&SCo - see sections 10 and 11; (b) the Parties being required to agree and implement the Approved Discontinuation Plan - see section 18; (c) the Regulator being entitled to revoke the Licence; and (d) the SoS being entitled to institute a Transfer Scheme. <p>6.2 Where there is a Partial Discontinuation pursuant to section 8 (<i>Partial Discontinuation</i>), section 6.1(b) and section 6.1(d) shall not apply.</p> <p>6.3 Where a second Discontinuation Notice is served pursuant to section 3.8 (<i>Discontinuation</i>), section 6.1(a) shall not apply and T&SCo shall not be entitled to any further payment of compensation as a result of the decision by SoS to Discontinue.</p>
7.	Discontinuation Decision	7.1 Discontinuation under these provisions is a right of the SoS and not an obligation.
8.	Partial Discontinuation	<p>8.1 Without prejudice to any rights that the SoS has to Discontinue the GSP in its entirety, following either Party serving a Potential Discontinuation Event Notice, the Parties may agree, as an alternative to Discontinuation, amendments to the application of the GSP to take account of the potential Discontinuation Event (a "Partial Discontinuation"), and as part of any such agreement, the Parties shall agree the impact of any such Partial Discontinuation, including but not limited to:</p> <ul style="list-style-type: none"> (a) any discontinuation compensation payable in respect of such Partial Discontinuation; (b) any Approved Discontinuation Plan in respect of such Partial Discontinuation; and (c) any other consequences of such Partial Discontinuation (including in respect of any relevant assets or documents).

No.	Heading	Description
9.	Total Compensation Amount	<p>9.1 Discontinuation compensation will be capped at the Total Compensation Amount and paid following an election by the SoS to Discontinue in the following order of priority:</p> <ul style="list-style-type: none"> (a) first, to senior debt creditors in respect of the Senior Debt Liabilities – see section 10; and (b) second, to equity investors in T&SCo – see section 11. <p>9.2 If T&SCo is not insolvent at the time SoS serves the Discontinuation Notice, the "Total Compensation Amount" will be a contractually certain amount which (subject to final modelling) is anticipated to be equal to the sum of the RAV and the SRAV assigned by the Regulator at the Discontinuation Date, less any amount payable pursuant to paragraph 1.3(a) of the Insurance Schedule, save to the extent such amount is recovered by SoS pursuant to the loss payee provision referenced in section [3.5] of the SCA, plus:</p> <ul style="list-style-type: none"> (a) any accrued amounts as at the Discontinuation Date which would have been assigned by the Regulator to the RAV or the SRAV under the Licence, but for Discontinuation; (b) any Breakage Costs; and (c) the Decommissioning Shortfall Amount in the event that Discontinuation is a result of (i) the RSA Discontinuation Threshold being reached or (ii) conditions for Unavailability of commercial insurance for any of the Insured Risks or Insured Losses being met. <p>9.3 Where the SoS is liable to pay T&SCo an additional amount pursuant to section 9.2(c) the SoS may, in its sole discretion, elect to make such payment directly to the [FundCo / decommissioning fund account] to discharge the liability for the Decommissioning Shortfall Amount and it is agreed that any such payment by the SoS in discharging such liability shall (to the extent of such payment) absolve the SoS from any obligation to make any such payments to T&SCo or its [receiver, assignees or successors].</p> <p>9.4 If a Discontinuation occurs during a period while a Failure Event has occurred and has not been Remedied or reduced to a Remedy Event, then any project spend:</p> <ul style="list-style-type: none"> (a) which is incurred during the period that a Failure Event has occurred but has not been remedied or reduced to a Remedy Event; and

No.	Heading	Description
		<p>(b) which qualifies for assignment by the Regulator to the RAV under the Licence,</p> <p>shall be deducted from the Total Compensation Amount. If the Failure Event is Remedied or reduced to a Remedy Event prior to a Discontinuation occurring, this deduction shall cease to apply.</p> <p>9.5 Subject to section 9.6, if any amount of the Total Compensation Amount payable by the SoS in accordance with this section 9 (<i>Total Compensation Amount</i>) is subject to Tax payable to a Relevant Authority in the United Kingdom, then the SoS shall pay to T&SCo such additional amount as will put T&SCo in the same after Tax position as it would have been had the payment of the Total Compensation Amount not been subject to Tax, taking account of any relief, allowances, deduction, setting off or credit in respect of Tax (whether available by choice or not) which may be available to T&SCo to reduce the Tax to which the payment is subject.</p> <p>9.6 Where the SoS is liable to pay T&SCo an additional amount pursuant to section 9.5, the SoS may, in its sole discretion, elect to make such payment directly to the applicable Relevant Authority to discharge the liability for the Tax payable in relation to the Total Compensation Amount and it is agreed that any such payment by the SoS in discharging such liability shall (to the extent of such payment) absolve the SoS from any obligation to make any such payments to T&SCo or its receiver, assignees or successors.</p>
10.	Senior Debt Compensation	<p>10.1 If T&SCo is not insolvent at the time SoS serves the Discontinuation Notice, following the SoS serving the Discontinuation Notice on T&SCo, the SoS will deposit the "Senior Debt Compensation" into a specified account, being the lower of the Total Compensation Amount and Senior Debt Liabilities.</p> <p>10.2 "Senior Debt Liabilities" shall mean an amount equal to:</p> <p>(a) outstanding principal, interests, costs, expenses and liabilities in respect of senior debt financing entered into in accordance with the Agreed Financing Principles as at the Discontinuation Date, but excluding:</p> <p>(i) hedging breakage costs payable by any Relevant Obligor under any Hedging Transactions; and</p> <p>(ii) early redemption/prepayment fees or premia payable by a Relevant Obligor under</p>

No.	Heading	Description
		<p>any senior debt that contains an embedded hedge of an inflation-linked or interest-rate exposure,</p> <p>save to the extent that they constitute Breakage Costs; less</p> <p>(b) any amounts receivable by any Relevant Obligor under any DA Approved Hedging on or after the Discontinuation Date as a result of early termination of such DA Approved Hedging and any other amounts received by senior creditors as the result of any other enforcement action as at the Discontinuation Date.</p> <p>10.3 The SoS may (at its option) elect to pay the Senior Debt Compensation in instalments sized by reference to the debt repayment profile or as may be otherwise agreed between the SoS and the security trustee.</p> <p>10.4 The SoS shall continue to pay debt service costs of T&SCo from the date of any revocation of T&SCo's Licence arising as a result of Discontinuation until the Senior Debt Compensation is paid in accordance with section 15 (<i>Timing and mechanics of payment of Compensation</i>).</p>
11.	Equity Compensation	<p>11.1 If T&SCo is not insolvent at the time SoS serves the Discontinuation Notice, following the SoS serving the Discontinuation Notice on T&SCo, the SoS will deposit the "Equity Compensation" into a specified account, being a sum equal to the Total Compensation Amount less Senior Debt Compensation (if positive).</p> <p>11.2 Where and to the extent any breakage costs arise in connection with a hedging strategy that is not in compliance with the Approved Hedging Policy these will be a matter for equity to meet from within the Equity Compensation.</p>
12.	Compensation on insolvency	<p>12.1 If T&SCo is insolvent at the time SoS serves the Discontinuation Notice on T&SCo, the Total Compensation Amount, Senior Debt Compensation and Equity Compensation will be determined by an independent valuer in accordance with section 12.2, and such amount shall not result in greater compensation than would have been the case in the event of a Discontinuation outside of insolvency.</p> <p>12.2 The basis of the valuation of T&SCo carried out by an independent valuer pursuant to section 12.1 above, shall be in accordance with section 14 of the Liaison Agreement and shall assume a transfer of the T&SCo's undertaking as a going concern and in turn apply the valuation</p>

No.	Heading	Description
		assumptions in section 14.2(b)(i) of the Liaison Agreement.
13.	Set off against Equity Compensation	<p>13.1 The SoS will have the right to set off any outstanding claims, subject to sections 9.5 and 9.6 (<i>Total Compensation Amount</i>), in relation to:</p> <ul style="list-style-type: none"> (a) tax liabilities of T&SCo to HMRC; (b) liabilities of T&SCo to SoS under or pursuant to the GSP, <p>against T&SCo against the payment of the Equity Compensation.</p> <p>13.2 Following agreement or final determination of any liabilities which are subject to the right of set-off in section 13.1, if the amount set-off in respect of any outstanding claim exceeds the amount agreed or determined in respect of that claim, then the SoS shall be obliged to return any such excess to T&SCo within [twenty (20)] Business Days following agreement or determination of the excess.</p>
14.	Reduction/forfeiture of Equity Compensation	<p>14.1 Equity Compensation may be reduced or forfeited (as proportionate to the relevant circumstances) where there is Wilful Misconduct or Gross Negligence and such Wilful Misconduct or Gross Negligence caused or contributed to the Discontinuation.</p> <p>14.2 "Wilful Misconduct or Gross Negligence" means any act or failure to act by T&SCo or its personnel that was:</p> <ul style="list-style-type: none"> (a) an intentional breach of the Licence, Support Documents or Storage Permit which results in an increased risk of the occurrence of any Insured Risk or Insured Loss; or (b) intended to cause, or was in reckless disregard of, or wanton indifference to an increased risk of the occurrence of any Insured Risk or Insured Loss, but shall not include an ordinary error of judgement or mistake made by personnel of T&SCo in the exercise in good faith of any function, authority or discretion conferred on such personnel that would constitute mere ordinary negligence.
15.	Timing and mechanics of payment of Compensation	<p>15.1 Senior Debt Compensation and Equity Compensation will be paid within [twenty (20)] Business Days of agreement or determination of the completion of applicable calculation procedures.</p>

No.	Heading	Description
		<p>15.2 Following Discontinuation, calculation of compensation on Discontinuation shall be in accordance with the procedure set out in this section 15.2:</p> <p>(a) T&SCo shall within [thirty (30)] Business Days of Discontinuation provide a written report to the Regulator in accordance with condition B20 (Regulatory Reporting) of the Licence, setting out:</p> <p>(i) the value of any SRAV as at the Discontinuation Date;</p> <p>(ii) the value of any RAV as at the Discontinuation Date; and</p> <p>(iii) evidence of the methodology and calculations, including the underlying data, used by T&SCo to determine the values under sections 15.2(a)(i) and 15.2(a)(ii);</p> <p>(b) Following receipt by the Regulator of the written report pursuant to section 15.2(a), the Regulator shall assure or confirm such values and calculations by T&SCo and confirm to each of the SoS and T&SCo within [sixty (60) Business Days] of receipt whether it agrees with such values assigned to any SRAV or RAV by T&SCo or otherwise propose alternative values for consideration;</p> <p>(c) T&SCo shall within [one hundred (100)] Business Days of Discontinuation provide a written report to the SoS, setting out:</p> <p>(i) the Total Compensation Amount pursuant to section 9(<i>Total Compensation Amount</i>);</p> <p>(ii) the Senior Debt Liabilities and the Senior Debt Compensation as certified on behalf of the secured creditors pursuant to section 10(<i>Senior Debt Compensation</i>);</p> <p>(iii) the Equity Compensation payable pursuant to section 11 (<i>Equity compensation</i>); and</p> <p>(iv) [<i>others</i>];</p> <p>(d) the SoS shall, within [twenty (20)] Business Days of the receipt of the written report provided by T&SCo pursuant to section 15.2(c), confirm on notice to T&SCo whether or not it agrees with the Total Compensation Amount, the Senior Debt Liabilities, the Senior Debt Compensation and the</p>

No.	Heading	Description
		<p>Equity Compensation (and if not set out the reasons for why it disagrees with such amounts);</p> <p>(e) within [ten (10)] Business Days of receipt of the notice under section (d), T&SCo shall confirm whether or not it agrees with the amounts notified by the SoS under section (d) and, if T&SCo does not agree, either Party may refer the Relevant Dispute for determination in accordance with section 21 (<i>Dispute Resolution Procedure</i>); and</p> <p>(f) where the SoS exercises its right to Discontinue while T&SCo is insolvent or in Special Administration, section 12 (<i>Compensation on insolvency</i>) shall apply to determine the Total Compensation Amount, Senior Debt Compensation and Equity Compensation.</p>
16.	Fee for Compensation	<p>16.1 There will be no charge to T&SCo or the equity recipients and providers of senior debt for the provision of compensation on discontinuation.</p>
17.	Reimbursement of Discontinuation Payment	<p>17.1 The SoS will have a right of reimbursement from T&SCo for amounts paid out under the Discontinuation Agreement on the basis that such right:</p> <p>(a) will rank behind senior debt but ahead of subordinated debt/equity (other than amounts recovered as part of the discontinuation payment itself); and</p> <p>(b) will be backed by security over those of T&SCo's assets which have not transferred to a replacement T&SCo (if there is one).</p> <p>17.2 If following payment of both the Senior Debt Compensation and the Equity Compensation there is still a secured senior debt shortfall, the SoS's security over any amounts recoverable by T&SCo is subordinated to the secured senior funder recovery of that shortfall.</p> <p>17.3 Without prejudice to the ranking in paragraph 17.1(a), all amounts representing the payment of Senior Debt Compensation and Equity Compensation and any other amount paid out under the Discontinuation Agreement by the SoS shall to the extent of any such payment, be fully and automatically subrogated to the fullest extent of applicable law to all of the rights of shareholders or creditors to payment of any amounts payable by a Relevant Obligor in respect of a Discontinuation Notice .</p>
18.	Discontinuation Plan	<p>18.1 In the event of service of a Potential Discontinuation Event Notice, T&SCo shall promptly and in any event within [ten (10)] Business Days submit to the Liaison Committee [and</p>

No.	Heading	Description
		<p>the Inter-Regulator Forum] a draft of the Approved Discontinuation Plan, in the form of the Template Discontinuation Plan, which shall take into account, amongst other things, the impact of the relevant Discontinuation Event and make-safe activities arising therefrom (the "Draft Discontinuation Plan").</p> <p>18.2 Following submission by T&SCo of the Draft Discontinuation Plan pursuant to section 18.1, the Liaison Committee shall meet to consider the plan and agree it by the date of agreement by the Parties or a determination that a Discontinuation Event has occurred (the "Approved Discontinuation Plan").</p> <p>18.3 The Parties shall seek to agree the Approved Discontinuation Plan by the Discontinuation Date and any failure to agree the Discontinuation Plan shall be subject to section 21 (<i>Dispute Resolution Procedure</i>).</p> <p>18.4 Immediately following the Discontinuation Date, T&SCo shall be required to carry out any immediate make-safe activities to the T&S Network implemented by T&SCo pursuant to the Approved Discontinuation Plan.</p> <p>18.5 The Approved Discontinuation Plan shall apply from the Discontinuation Date until the date on which all activities under the Approved Discontinuation Plan have been completed.</p> <p>18.6 Either Party shall be entitled to propose an amendment to the Approved Discontinuation Plan, on notice to the Liaison Committee.</p> <p>18.7 The Liaison Committee shall meet within [five (5)] Business Days to discuss the proposed amendment to the Approved Discontinuation Plan and either agree, propose other amendments or reject the proposed amendment.</p> <p>18.8 No amendment or variation to the Approved Discontinuation Plan shall be effective unless it is in writing and approved unanimously by the Liaison Committee.</p> <p>18.9 T&SCo shall report to the Liaison Committee and the Inter-Regulator Forum on progress as against the Approved Discontinuation Plan on a monthly basis (or as otherwise agreed in writing by the Parties to the Discontinuation Agreement).</p>
19.	Approved Discontinuation Plan Obligations and Equity	<p>19.1 Following Discontinuation and until the completion of the Approved Discontinuation Plan, the SoS shall be entitled to withhold from the Equity Compensation to be paid in accordance with section 11 (<i>Equity Compensation</i>), an amount not exceeding fifteen million pounds</p>

No.	Heading	Description
	Compensation Retention	(£15,000,000) (indexed), such portion of Equity Compensation retained to be released in accordance with the staged release detailed in the Approved Discontinuation Plan.
20.	Representatives and personnel	<p>20.1 Roles of the representatives of the Parties to the Discontinuation Agreement are to be developed, including delegated authority.</p> <p>20.2 T&SCo representative shall:</p> <p>(a) manage and oversee compliance by T&SCo with its duties and obligations under the Discontinuation Agreement; and</p> <p>(b) exercise any right and perform any obligation exercisable by or to be performed by the T&SCo representative under the Discontinuation Agreement.</p> <p>20.3 SoS representative shall:</p> <p>(a) manage and oversee compliance by SoS with its duties and obligations under the Discontinuation Agreement; and</p> <p>(b) exercise any right and perform any obligation exercisable by or to be performed by the SoS representative under the Discontinuation Agreement.</p>
21.	Dispute Resolution Procedure	<p>21.1 Any dispute arising out of or in connection with the Discontinuation Agreement, including in relation to any amounts payable under or pursuant to the Discontinuation Agreement (a "Relevant Dispute"), shall be resolved in accordance with the Dispute Resolution Procedure set out in this section 21.</p> <p>21.2 In the event of a Relevant Dispute, the matter shall first be referred to the Liaison Committee for resolution by the Parties.</p> <p>21.3 If the Relevant Dispute is not resolved by the Liaison Committee after a period of [ten (10)] Business Days on and from such referral (or such other period as agreed between the Parties in writing), either Party shall be entitled to refer the Relevant Dispute to identified senior representatives for resolution.</p> <p>21.4 If the Relevant Dispute is not resolved by the senior representatives after a further period of [ten (10)] Business Days on and from such referral to identified</p>

No.	Heading	Description
		<p>senior representatives (or such other period as agreed between the Parties in writing), then:</p> <p>(a) the Parties may agree to refer the Relevant Dispute for expert determination; or</p> <p>(b) either Party may refer the Relevant Dispute to the courts of England and Wales.</p>
22.	Indexation	<p>22.1 Any amounts marked as "indexed" under the Discontinuation Agreement shall be subject to indexation by CPIH, unless otherwise stated.</p>
23.	Amendments	<p>23.1 No amendment shall be made to the Discontinuation Agreement without the agreement of both Parties in writing.</p> <p>23.2 Either Party may, at any time prior to service of a Discontinuation Notice by the SoS pursuant to section 3.5, refer to the Liaison Committee a proposal for amendments to the SCA Discontinuation Threshold or the RSA Discontinuation Threshold and upon such referral, the Liaison Committee shall consider and discuss such proposal(s) as soon as reasonably practicable and in any event within [ten (10)] Business Days.</p>
24.	Assignment and Sub-Contracting	<p>24.1 The Discontinuation Agreement shall benefit and bind the parties, their permitted assignees and respective successors and any reference in the Discontinuation Agreement to any party shall be construed accordingly.</p> <p>24.2 The Discontinuation Agreement will include restrictions on the assignment and/or transfer by T&SCo of any of its rights or obligations under the Discontinuation Agreement (in whole or in part except) without the prior written consent of the SoS (such consent not to be unreasonably withheld or delayed), save that T&SCo will be permitted to create a security assignment in favour of its secured creditors (and SoS will assist in facilitating this, provided that all costs and expenses properly incurred by SoS in giving effect to such assignment are paid by T&SCo).</p> <p>24.3 The SoS may, subject to the conditions to be set out in the Discontinuation Agreement, transfer its rights or novate its obligations under the Discontinuation Agreement to any Minister of the Crown or any entity directly wholly-owned by a Minister of the Crown.</p>
25.	Confidentiality	<p>25.1 The Discontinuation Agreement will set out confidentiality provisions which will apply to all Parties in respect of the Project. There will be customary exceptions.</p> <p>25.2 The Discontinuation Agreement sets out that the SoS is, and that T&SCo may become subject to, the requirements</p>

No.	Heading	Description
		of the FOIA and the Environmental Information Regulations and each Party shall facilitate compliance by the other Party with its information disclosure requirements pursuant to the FOIA and the Environmental Information Regulations.
26.	Survivorship	26.1 Following the expiry of the Discontinuation Agreement each Party shall cease to have rights or obligations under the Discontinuation Agreement, save that the rights under section 9 (<i>Total Compensation Amount</i>), section 10 (<i>Senior Debt Compensation</i>), section 11 (<i>Equity Compensation</i>), section 12 (<i>Compensation on insolvency</i>), section 13 (<i>Set off against Equity Compensation</i>), section 14 (<i>Reduction/forfeiture of Equity Compensation</i>), section 15 (<i>Timing and mechanics of payment of Compensation</i>), section 17 (<i>Reimbursement of Discontinuation Payment</i>), section 18 (<i>Discontinuation Plan</i>), section 19 (<i>Approved Discontinuation Plan Obligations and Equity Compensation Retention</i>), section 21 (<i>Dispute Resolution Procedure</i>), section 22 (<i>Indexation</i>), section 25 (<i>Confidentiality</i>) and section 28 (<i>Governing Law</i>) will continue in full force and effect.
27.	Rights of Third Parties	27.1 A person who is not a Party to the Discontinuation Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
28.	Governing Law	28.1 The Discontinuation Agreement shall be governed by and construed in accordance with English law and the courts of England and Wales shall have exclusive jurisdiction.
29.	Appendix	29.1 Appendix 1 will form a schedule to the Discontinuation Agreement.
30.	Definitions	<p>In this section D (<i>Discontinuation Agreement</i>), terms defined in the Licence heads of terms shall have the same meaning and:</p> <p>"Affiliate" means in relation to T&SCo, any Parent Undertaking of T&SCo, any Subsidiary Undertaking of T&SCo, or any Subsidiary Undertaking of a Parent Undertaking of T&SCo;</p> <p>"Agreed Financing Principles" means the approved financing principles set out in Appendix 1 of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Allowed Revenue" has the meaning given to it in the RSA;</p> <p>"Approved Discontinuation Plan" means the plan agreed or determined pursuant to section 18 (as amended or supplemented from time to time), covering immediate make-safe activities following Discontinuation, to the extent not covered by the</p>

No.	Heading	Description
		<p>decommissioning plan, and based on the Template Discontinuation Plan set out at Appendix 2 to this section D;</p> <p>"Approved Hedging Policy" means the approved hedging policy set out in Appendix 1 of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Breakage Costs" means the costs of early termination of any DA Approved Hedging payable by a Relevant Obligor, including early redemption/prepayment fees or premia payable under Embedded Hedging which constitutes DA Approved Hedging;</p> <p>"CCS Network Code" means the document designated as such and required to be maintained by the licensee under the Licence;</p> <p>"Charging Year" has the meaning given to it in the RSA;</p> <p>["Decommissioning Shortfall Amount" means [an amount calculated by reference to the planned accrual of the decommissioning fund pursuant to the Licence, as may be reassessed at the Discontinuation Date].</p> <p>Note: definition to be updated to reflect a process for updating of the decommissioning fund as at the Discontinuation Date, to align with the process for updating the decommissioning fund at each Periodic Review.</p> <p>"Difference Payments" has the meaning given to it in the RSA heads of terms;</p> <p>"Discontinuation" means the exercise by the SoS of its right to issue a Discontinuation Notice in accordance this section D (<i>Discontinuation Agreement</i>) and "Discontinue" shall be construed accordingly;</p> <p>"Dispute Resolution Procedure" means the procedure for the resolution of disputes set out in section 21 (<i>Dispute Resolution Procedure</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Discontinuation Date" the date specified as such in, and falling on or after the date of, the relevant Discontinuation Notice;</p> <p>"Discontinuation Event" has the meaning given to it in section 3.1;</p> <p>"Discontinuation Notice" has the meaning given to it in section 3.6;</p> <p>"Draft Discontinuation Plan" has the meaning given to it in section 18;</p> <p>"Embedded Hedging" has the meaning given to it in paragraph 12 of Part 1, Appendix 1 (<i>Approved Hedging and Agreed Financing</i>) in this section D (<i>Discontinuation Agreement</i>);</p>

No.	Heading	Description
		<p>"Environmental Information Regulations" means the Environmental Information Regulations 2004 (as amended);</p> <p>"Equity Compensation" has the meaning given to it in section 11 (<i>Equity Compensation</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Finance Documents" has the meaning given to it in section E (<i>Liaison Agreement</i>);</p> <p>"FOIA" means the Freedom of Information Act 2000 (as amended);</p> <p>"GSP" has the meaning given to it in the Liaison Agreement heads of terms;</p> <p>"Insured Losses" has the meaning given in section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Insured Risks" has the meaning given in section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Inter-Regulator Forum" has the meaning given to it in the section E (<i>Liaison Agreement</i>);</p> <p>"Liaison Committee" has the meaning given to it in the section E (<i>Liaison Agreement</i>);</p> <p>"Licence" means the economic licence to be granted under HM Government's CCUS programme;</p> <p>"Notional Amount" means at any time the notional amount of the senior debt to which that Hedging Transaction relates or for any Embedded Hedging the notional amount of the senior debt to which such Embedded Hedging relates;</p> <p>"Minister of the Crown" shall have the meaning given to it in the Minister of the Crown Act 1975;</p> <p>"Parent Undertaking" means a parent undertaking within the meaning of section 1162 of the Companies Act 2006;</p> <p>"Partial Discontinuation" has the meaning given to it in section 8.1 (<i>Partial Discontinuation</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Potential Discontinuation Event Notice" has the meaning given to it in section 3.3 (<i>Discontinuation</i>);</p> <p>"Pre-operations Difference Payments" has the meaning given to it in the RSA;</p> <p>"RAV" has the meaning given to in the Licence, as it relates to the Approved T&S Network;</p>

No.	Heading	Description
		<p>"Relevant Obligor" has the meaning given to it in paragraph 1 of Part 1, Appendix 1 (<i>Approved Hedging and Agreed Financing</i>) in this section D (<i>Discontinuation Agreement</i>);</p> <p>"Relevant Regulator" means the NSTA, OPRED, HSE, or Ofgem;</p> <p>"Remedied" has the meaning given to it in section E (<i>Liaison Agreement</i>);</p> <p>"Renewal Date" has the meaning given in section C (<i>Supplemental Compensation Agreement</i>);</p> <p>"Revenue Support Agreement" or "RSA" means the revenue support agreement;</p> <p>"Relevant Dispute" has the meaning given to it in section 21.1 (<i>Dispute Resolution Procedure</i>);</p> <p>"RSA Discontinuation Threshold" has the meaning given to it in section 3 (<i>Discontinuation</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"SCA" means the supplemental compensation agreement;</p> <p>"SCA Discontinuation Threshold" has the meaning given to it in section 3 (<i>Discontinuation</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Senior Debt Compensation" has the meaning given to it in section 10 (<i>Senior Debt Compensation</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Senior Debt Liabilities" has the meaning given to it in section 10 (<i>Senior Debt Compensation</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"SRAV" has the meaning given to in the Licence, as it relates to the Approved T&S Network;</p> <p>"Subsidiary Undertaking" means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006;</p> <p>"Template Discontinuation Plan" means the template plan as set out in Appendix 2 of this section D (<i>Discontinuation Agreement</i>) that shall be agreed at Licence Award and shall form the basis of any Approved Discontinuation Plan;</p> <p>"Total Compensation Amount" has the meaning given to it in section 9 (<i>Total Compensation Amount</i>) of this section D (<i>Discontinuation Agreement</i>);</p> <p>"Unavailable" and "Unavailability" have the meaning given to them in section C (<i>Supplemental Compensation Agreement</i>); and</p>

GSP heads of terms
Section D: Discontinuation Agreement

No.	Heading	Description
		"Wilful Misconduct or Gross Negligence" has the meaning given to it in section 14.2 (<i>Reduction/forfeiture of Equity Compensation</i>) of this section D (<i>Discontinuation Agreement</i>).

Appendix 1 to section D (*Discontinuation Agreement*): Approved Hedging Policy and Agreed Financing Principles

Part 1: Approved Hedging Policy

Part A

DA Approved Hedging and Exposure Limits

Note: *this Approved Hedging Policy is designed only for the determination of DA Approved Hedging for the purposes of calculation of the Total Compensation Amount under the Discontinuation Agreement. Separate consideration needs to be given to an appropriate finance plan (and any associated hedging) that meets wider value for money requirements.*

Note: *position on power hedging and parameters to be confirmed following further input from T&SCos and the extent to which power hedging is linked to the finance structure.*

General

1. Each of T&SCo and FinCo (the **"Relevant Obligors"**) shall only enter into hedging agreements (**"Hedging Agreements"**) and hedging transactions (**"Hedging Transactions"**) that:
 - (a) comply with the hedging policy as set out in the finance documents as at Licence Award (**"Finance Hedging Policy"**); and
 - (b) in relation to Hedging Transactions that will have the benefit of coverage of hedging liabilities as Breakage Costs under and as defined in the Discontinuation Agreement, have been entered into (or amended in accordance with paragraph 12 and 13) in compliance with each of the conditions specified in paragraphs 3 to 7 unless otherwise agreed by the SoS (**"DA Approved Hedging"**).

The Parties acknowledge and agree that only the Relevant Obligors may enter into Hedging Agreements and Hedging Transactions in connection with the Project.

Note: *a FinCo would be included in the structure if listed bonds are issued (given that the issuing entity is likely to be a SPV incorporated as a public company), in which case the Hedging Principles should apply to both T&SCo and FinCo.*

Approved Hedging Policy Conditions

2. The Relevant Obligors must at all times satisfy and comply with the Approved Hedging Policy Conditions as set out in Part B (*GSP Hedging Compliance Conditions*).

New Hedging Transactions

3. Prior to any Relevant Obligor entering into any Hedging Agreement or Hedging Transaction that is intended to constitute DA Approved Hedging (the **"Contemplated Hedging Transaction"**), T&SCo shall calculate:
 - (a) the Notional Aggregate Hedging Exposure using the Notional Exposure Calculation Methodology and taking account of the Contemplated Hedging Transaction; and

- (b) the Actual Aggregate Hedging Exposure as at that Test Date using the Actual Exposure Calculation Methodology.
- 3A T&SCo shall notify the SoS no later than [five] Business Days after a Relevant Obligor enters into a Contemplated Hedging Transaction. Such notification shall include the following information:
 - (a) whether such Contemplated Hedging Transaction is a (i) gilt-lock or forward start pre-Hedging entered into in respect of an anticipated issuance or advance of private placement notes or loans, (ii) interest rate Hedging, (iii) inflation-linked Hedging or (iv) cross-currency Hedging;
 - (b) the aggregate notional exposure covered by such Contemplated Hedging Transaction;
 - (c) the underlying exposure which is being hedged pursuant to such Contemplated Hedging Transaction; and
 - (d) the tenor of such Contemplated Hedging Transaction.
- 3B On each Test Date, T&SCo shall provide a summary of all of the DA Approved Hedging transactions entered into by the Relevant Obligors since the previous Test Date, setting out all of the information set out in paragraphs (a) to (d) above. The T&SCo shall keep a copy of all such reports and make such reports available to the SoS for review during any Discontinuation.

Inception Exposure Limit Conditions

- 4. Subject to paragraph 7, the Relevant Obligors may only enter into the Contemplated Hedging Transaction that will constitute DA Approved Hedging if:
 - (a) the Notional Aggregate Hedging Exposure calculated using the Notional Exposure Calculation Methodology as at that Test Date, taking account of the Contemplated Hedging Transaction, is less than the Notional Aggregate Hedging Exposure Limit; and
 - (b) the Actual Aggregate Hedging Exposure calculated using the Actual Exposure Calculation Methodology as at that Test Date is less than the Actual Aggregate Hedging Exposure Limit.

Note: thresholds for the Notional Aggregate Hedging Exposure Limit and the Actual Aggregate Hedging Exposure Limit in respect of the First Financing Period are subject to further consideration.

Note: further details of the Notional/Actual Exposure Calculation Methodology to be provided in due course.

- 5. No later than [●] months before the start of each Financing Period, T&SCo shall deliver to the SoS for consideration a hedging plan in respect of the Relevant Obligors for such Financing Period, which shall set out:
 - (a) the proposed Notional Aggregate Hedging Exposure Limit and the proposed Actual Aggregate Hedging Exposure Limit to apply during such Financing Period;
 - (b) any proposed amendments to the Severe Sensitivity Assumptions; and/or
 - (c) any update to the proposed limit on total Notional Amount of all Hedging Transactions (as set out in paragraph 17(d) of Part B),

for such Financing Period. The T&SCo shall provide the SoS with such further information and/or justification as the SoS may request. The SoS shall (acting reasonably) notify T&SCo of the Notional Aggregate Hedging Exposure Limit, the Actual Aggregate Hedging Exposure Limit, and any amended Severe Sensitivity Assumptions or limit on total Notional Amount of all Hedging Transactions (as set out in paragraph 17(d) of Part B) which it approves in respect of such Financing Period (and where the SoS does not approve of the proposals made by T&SCo the SoS shall provide reasons for this).

6. Without prejudice to the requirements of paragraphs 3, 4 and 5, no Relevant Obligor shall enter into a Contemplated Hedging Transaction, and no Contemplated Hedging Transaction will constitute DA Approved Hedging, unless the Input Parameters (as defined in paragraph 17 of Part B) have been satisfied or waived by the SoS.
7. If, in respect of a Contemplated Hedging Transaction, the conditions in paragraphs 4 and 5 or the Input Conditions have not been met, the Relevant Obligors shall only be entitled to enter into a Contemplated Hedging Transaction which will constitute DA Approved Hedging if they have demonstrated to the satisfaction of the SoS that the purpose and direct effect of such Contemplated Hedging Transaction will be to reduce the Actual Aggregate Hedging Exposure and the Notional Aggregate Hedging Exposure below the Consultation and Remediation Threshold (as defined below).

Periodic Calculation

8. On each Test Date:
 - (a) T&SCo shall calculate the Actual Aggregate Hedging Exposure using the Actual Exposure Calculation Methodology and the Notional Aggregate Hedging Exposure using the Notional Exposure Calculation Methodology; and
 - (b) provide the information at paragraph 3B above

Actual Exposure - Consultation and Remediation Threshold

9. If, as at the relevant Test Date (the "**Consultation and Remediation Threshold**"), the Actual Aggregate Hedging Exposure is greater than the applicable limit for the relevant Financing Period, the Relevant Obligor(s) shall (i) within three months of such Test Date (or such period as may otherwise be agreed with the SoS), consult with the SoS and demonstrate compliance with prudent treasury management policy in accordance with the principles set out in paragraph 1 of Part B and (ii) prepare and implement a remediation plan to be agreed by the SoS in accordance with paragraph 10 below (the "**Agreed Remediation Plan**"), the purpose of which shall be management of hedging in accordance with prudent treasury management principles (taking account of historic and projected movements in interest, inflation and currency markets and rates, including from the date the relevant Hedging Transactions were entered into) with the objectives of balancing:
 - (a) the interests the Relevant Obligor and the Project, including maintaining prudent levels of hedging;
 - (b) maintaining or otherwise managing the Actual Aggregate Hedging Exposure at a level in respect of future Test Dates which complies with the applicable Notional Aggregate Hedging Exposure Limit and Actual Aggregate Hedging Exposure Limit.
10. In reviewing a remediation plan proposed by the Relevant Obligor(s) in accordance with paragraph 9 above and agreeing the Agreed Remediation Plan, the SoS will have regard (without limitation) to the following factors and circumstances:

- (a) the scope and extent of the DA Approved Hedging then outstanding (including the number of transactions entered into by the Relevant Obligor(s), the exposures hedged and the tenors of such transactions);
 - (b) the impact on the Relevant Obligor(s) of any early termination or other breakage costs that would be payable upon early termination or repayment of any DA Approved Hedging and the proportionality of the impact on the Relevant Obligor(s) of taking such mitigating steps;
 - (c) the requirements of the Finance Hedging Policy to maintain an effective hedging policy to mitigate the Relevant Obligor(s)' exposure to interest rate, currency and inflation markets and rates;
 - (d) the projected movements in interest, inflation and currency markets and rates against the Relevant Obligor(s)' exposures against such risks and its ability to mitigate those risks under a portfolio of Hedging Transactions then outstanding and/or to be entered into by the Relevant Obligor(s); and
 - (e) such time for the Relevant Obligor(s) as is reasonable in the circumstances to reduce or otherwise manage the hedging exposure taking into account the factors and circumstances specified in (a) to [(d)] above.
11. A Remedy Event will not occur if at any Test Date the Actual Aggregate Hedging Exposure is greater than the applicable limit for the relevant Financing Period, unless and until there is a subsequent breach of paragraph 9 by the Relevant Obligor(s) (whether a failure to consult or agree (including by reference to dispute resolution) or to implement an Agreed Remediation Plan).

Notional Exposure - Consultation Threshold

12. If, as at the relevant Test Date, the Notional Aggregate Hedging Exposure is greater than the applicable limit for the relevant Financing Period, the Relevant Obligor(s) and the SoS shall, within two months of such Test Date (or such period as may otherwise be agreed with the SoS), enter into consultation in relation to the circumstances which have given rise to such Notional Aggregate Hedging Exposure and any matters relating to such exposure that are considered relevant at that time.

Early redemption/prepayment fees for fixed rate and [inflation] linked senior debt

13. Early redemption/prepayment fees or premia payable under any senior debt that (a) satisfies the Agreed Financing Principles and (b) contains an embedded hedge of an inflation-linked or interest-rate exposures (such as 'Spens' or make-whole payments) ("**Embedded Hedging**") will only constitute "DA Approved Hedging" and be included as Breakage Costs if:
- (a) prior to entering into such senior debt containing Embedded Hedging (or in respect of any amendment to the terms of such senior debt in accordance with paragraphs 15 and 16), the conditions specified, mutatis mutandis, in paragraphs 3 to 7 have been satisfied in respect of such Embedded Hedging and provided that, for the purposes of calculating the Notional Aggregate Hedging Exposure and the Actual Aggregate Hedging Exposure, such calculations shall apply the Breakage Costs payable to the relevant lender or investors in respect of such senior debt upon early redemption/prepayment; and
 - (b) any such early redemption/prepayment fee or premia is on customary market terms from time to time for senior debt containing such Embedded Hedging.

14. References in paragraphs 3 to 7 to a Hedging Agreement or Hedging Transaction shall, for these purposes, be deemed to refer to the terms and amounts payable in respect of the early redemption/prepayment fee or premia pursuant to the relevant provisions of such senior debt.
15. Any calculation of the Notional Aggregate Hedging Exposure or the Actual Aggregate Hedging Exposure pursuant to this policy (including periodic calculations) shall include the exposures representing any such DA Approved Hedging in respect of senior debt containing Embedded Hedging taking account of the Breakage Costs payable upon early redemption/prepayment.

Amendments to DA Approved Hedging

16. No amendment may be made to any agreement, document or transaction in respect of DA Approved Hedging if the effect of such amendment would be to change the economic or other terms and conditions that were relevant for the purposes of originally determining compliance with the conditions specified in paragraphs 3 to 7 (a **"Relevant Amendment"**), other than in accordance with paragraph 17.
17. Prior to agreeing or implementing a Relevant Amendment, the relevant hedging or early redemption fee must (taking account of the Relevant Amendment) comply with the conditions specified in paragraphs 3 to 7 of this schedule as if the proposed amended terms of the relevant hedging or early redemption fee were the terms of such hedging or early redemption fee with effect from the date that that applicable amendment will be effective for the purposes of determining compliance with paragraphs 3 to 7.
18. If any Relevant Amendment of DA Approved Hedging does not comply with paragraph 17, the relevant hedging or early redemption fee to which the Relevant Amendment relates shall cease to constitute DA Approved Hedging.

Definitions

"Actual Aggregate Hedging Exposure" means the actual aggregate Net Exposure in respect of DA Approved Hedging plus any actual Net Exposure associated with any Contemplated Hedging Transaction that is intended to constitute DA Approved Hedging;

"Actual Aggregate Hedging Exposure Limit" means £[●] or such other figure that is accepted by the SoS pursuant to paragraph 5;

"Actual Exposure Calculation Methodology" means the methodology for calculating the actual Net Exposure as at that Test Date, in accordance with (i) (in the case of Hedging Transactions) the terms of the relevant Hedging Agreements and market standard calculation conventions applied in accordance with the relevant ISDA Definitions or (ii) (in the case of Embedded Hedging) the terms of the relevant senior debt documentation and reasonably agreed procedures and methodologies for calculating 'Spens' or make-whole payments set out in writing prior to the Licence Award or start of the relevant price control period under the Licence in each case agreed by the SoS, provided that no Hedging which is not DA Approved Hedging shall be netted against any Hedging which is DA Approved Hedging for the purposes of such calculation methodology.

"First Financing Period" means the period from Licence Award to the date of the occurrence of the first Review Event thereafter;

"Financing Period" shall mean the First Financing Period and each successive period beginning on a Review Event Date and ending on the next succeeding Review Event Date;

"FinCo" means a limited liability company incorporated as an Affiliate of T&SCo for the purposes of the issuance of any listed bonds or notes in connection with the Project and the on-lending of the proceeds thereof to the T&SCo;

"ISDA Definitions" means:

- (a) in the case of interest rate Hedging Transactions, the 2006 ISDA Definitions or 2021 Interest Rate Derivatives Definitions (or any successor or replacement thereof or supplement thereto) (each, the **"Interest Rate Definitions"**);
- (b) in the case of cross-currency Hedging Transactions, the 1998 FX and Currency Option Definitions either alone or together with the Interest Rate Definitions (or, in each case, any successor or replacement thereof or supplement thereto); and
- (c) in the case of inflation-linked Hedging Transactions, the ISDA Inflation Derivatives Definitions either alone or together with the Interest Rate Definitions (or, in each case, any successor or replacement thereof or supplement thereto);

"Net Exposure" means the total net marked to market exposure or other termination liabilities (whether or not crystallised) of the Relevant Obligors to all Hedge Counterparties;

"Notional Aggregate Hedging Exposure" means the projected notional aggregate Net Exposure in respect of DA Approved Hedging plus any notional Net Exposure associated with any Contemplated Hedging Transaction that is intended to constitute DA Approved Hedging;

"Notional Aggregate Hedging Exposure Limit" means £[●] or such other figure that is accepted by the SoS pursuant to paragraph 5;

"Notional Exposure Calculation Methodology" means the methodology for calculating the projected notional Net Exposure as at that Test Date using the Severe Sensitivity Assumptions in accordance with (i) (in the case of Hedging Transactions) the terms of the relevant Hedging Agreements and market standard calculation conventions applied in accordance with the relevant ISDA Definitions or (ii) (in the case of Embedded Hedging) the terms of the relevant senior debt documentation and reasonably agreed procedures and methodologies for calculating 'Spens' or make-whole payments set out in writing prior to the Licence Award or start of the relevant price control period under the Licence in each case agreed by the SoS, provided that no Hedging which is not DA Approved Hedging shall be netted against any Hedging which is DA Approved Hedging for the purposes of such calculation methodology;

"Review Event" shall mean either of:

- (a) the expiry of a Periodic Review under the Licence; or
- (b) the occurrence of a Variation (as defined in section 5 of the Liaison Agreement);

"Review Event Date" means, in respect of a Review Event, the date on such event takes effect or is effective;

"Severe Sensitivity Assumptions" means the interest, inflation and foreign exchange rate sensitivities set out in Annex 1 (*Severe Sensitivity Assumptions*);

"SONIA OIS swap curve" means the yield curve for sterling overnight index swap rates published, as at Licence Award, by Bloomberg as yield curve "GBP SONIA 141" (or any successor or replacement thereof) or any other screen page or index for such yield curve as may be agreed by the SoS and the Relevant Obligors in writing;

"Test Date" means:

GSP heads of terms
Section D: Discontinuation Agreement

- (a) the date of entry into a Contemplated Hedging Transaction that is intended to constitute DA Approved Hedging; and
- (b) each date falling [31 March and 30 September] in each year.

Note: *frequency of periodic testing remains under review.*

Part B

GSP Hedging Compliance Conditions

1. Hedging must be implemented and managed in accordance with a prudent treasury management policy, where for these purposes a **"prudent treasury management policy"** shall be deemed to include implementing and managing the Actual Aggregate Hedging Exposure and the Notional Aggregate Hedging Exposure at levels which comply with the applicable limits for the relevant Financing Period, as determined in accordance with paragraph 4 of Part A.
2. Without prejudice to paragraph 1, hedging will be generally consistent with creditor requirements to enable the Relevant Obligor to raise senior debt complying with the Agreed Financing Principles.
3. The terms of the Hedging Agreements and Hedging Transactions entered into by the Relevant Obligor will be transacted and managed (without selling optionality) with the objective of (i) minimising the potential marked to market hedging liabilities and termination payments and (ii) managing the maturity concentration, refinancing and solvency risks in relation to the Relevant Obligor.
4. The Finance Hedging Policy set out in the finance documents and this Approved Hedging Policy is in agreed form at financial close and no Relevant Obligor shall agree to any amendment, consent or waiver unless approved by the SoS.
5. The Relevant Obligor shall only:
 - (a) enter into inflation-linked Hedging Transactions (other than gilt-lock or forward start swaps or other pre-Hedging in respect of the anticipated raising of senior debt to which paragraph (c) shall apply) to manage any remaining inflation exposure arising as a result of having fixed or floating rate senior debt against the indexation of its Revenue Calculations, to the extent such exposure is not effectively managed through the issuance of index-linked debt, in accordance with prudent treasury management policy;
 - (b) enter into cross-currency Hedging Transactions (other than forward start swaps or other pre-Hedging in respect of the anticipated raising of senior debt to which paragraph (c) shall apply) to manage foreign exchange exposures on non-sterling denominated debt if (i) the Relevant Obligor has been unable to issue, (ii) prudent treasury management policy would be inconsistent with issuing, or (iii) the all in rate of such non-sterling denominated debt plus the applicable cross-currency Hedging Transaction would be less than the rate that can be secured in the domestic or international markets for, sterling denominated debt; and
 - (c) enter into any forward start swaps or other pre-Hedging in respect of anticipated raising of senior debt (**"Pre-Hedging"**) if (A) such Pre-Hedging has a mandatory early termination date of no more than [36] months after the date entered into and is or will be cash settled, reset to zero or otherwise terminated in full on the earlier of (i) a date on or prior to raising the relevant senior debt and (ii) the expiry of such [36] month period and (B) the amount of any Breakage Costs (under and as defined in the Discontinuation Agreement) in respect of the Pre-Hedging if calculated immediately following such settlement, reset or termination would be zero,

provided that, in each case, the Relevant Obligor shall only enter into any such Hedging Transactions if they are on commercially reasonable terms that a reasonably prudent operator of a UK-based regulated asset would enter into taking into account the Relevant Obligor's liabilities.

6. Inflation-linked hedging will only be transacted in the form of either (i) accreting swaps which (subject to pay-as-you-go features) have the commercial effect of substantially replicating an inflation-linked bond in the context of managing inflation exposures or (ii) revenue style swaps which hedge cash-flow (i.e. without accretions).
7. Offsetting Hedging Transactions (including, to the extent not otherwise reflected in such calculation but without double-counting, by adding amounts representing annuities or similar embedded debt) shall be included within the [Senior RAR] and [Net Debt/Adjusted RAV financial ratio calculation] (in each case, as defined in the finance documents) [and shall not be included in the calculation of Actual Aggregate Hedging Exposure or Notional Aggregate Hedging Exposure].
8. Accretions by indexation on inflation-linked hedging shall be included within the [Senior RAR] and [Net Debt/Adjusted RAV financial ratio calculation] (in each case, as defined in the finance documents) [and shall not be included in the calculation of Actual Aggregate Hedging Exposure or Notional Aggregate Hedging Exposure].
9. If the SoS elects to pay the Senior Debt Compensation in instalments pursuant to section 10.3, the Breakage Costs (under and as defined in the Discontinuation Agreement) are only payable by the SoS, in accordance with the terms of the Discontinuation Agreement, if the SoS elects to cease paying the Senior Debt Compensation in instalments pursuant to section 10.3.
10. In the event of Discontinuation, the SoS has the right to:
 - (a) prohibit the Relevant Obligor and the Hedge Counterparty from exercising termination rights in relation to each Hedging Transaction (other than termination in accordance with the finance documents in relation to the occurrence of a Permitted Hedge Termination Event) if the SoS elects to pay the Senior Debt Compensation in instalments pursuant to section 10.3 (and pending the decision by the SoS as to whether or not to so elect) ; or
 - (b) require termination of the Hedging Transactions if the SoS does not elect to pay the Senior Debt Compensation in instalments pursuant to section 10.3 or elects to cease paying the Senior Debt Compensation in instalments pursuant to section 10.3.
11. The SoS must have the right after Discontinuation to appoint a swap manager on behalf of the SoS to manage the winding up of hedging.
12. [The Actual Aggregate Hedging Exposure and the Notional Aggregate Hedging Exposure calculated pursuant to paragraph 8 of Part A must be provided to the SoS within 10 Business Days of the relevant Test Date.]
13. Relevant Obligors must not terminate any Hedging Transaction in anticipation of Discontinuation without the approval of the SoS. Any amount paid as a Distribution in connection with any such termination prohibited by this paragraph 13 will be deemed to have been paid by the SoS for the purposes of any Equity Compensation payable under the Discontinuation Agreement and to that extent to discharge the SoS's obligations to pay that Equity Compensation.
14. Relevant Obligors must ensure that no Trigger Event occurs relating to accretions by indexation to the original notional amounts of super-senior Hedging Agreements which are linked to [inflation] exceeding the greater of [●] per cent. ([●%]) of RAV or £[●] (Indexed) as set out in the finance documents.

Note: thresholds subject to further consideration.

15. T&SCo shall procure compliance by FinCo with the terms of this Approved Hedging Policy and ensure that the terms of any issuer/borrower loan agreement(s) or back-to-back hedging agreements entered into by it are consistent with the terms and principles of this Approved Hedging Policy. The terms of this Approved Hedging Policy and all related provisions of the Discontinuation Agreement shall be deemed to operate without double-counting in respect of the hedging arrangements of the Relevant Obligors.
16. The Relevant Obligor must procure that Hedge Counterparties provide quarterly valuation statement of their marked to market exposure that are prepared on the same basis as is used for accounting purposes and shall provide such quarterly valuation statements to the SoS upon request.

Input Parameters

17. Without prejudice to the requirements of paragraphs 3, 4 and 5 of Part A, no Relevant Obligor shall enter into a Contemplated Hedging Transaction, and no Contemplated Hedging Transaction will constitute DA Approved Hedging:
- (a) unless such Contemplated Hedging Transaction is (i) gilt-lock and forward start pre-Hedging in respect of the anticipated issuance or advance of private placement notes or loans, (ii) interest rate Hedging, (iii) inflation-linked Hedging or (iv) cross-currency Hedging;
 - (b) if the tenor of that Hedging Transaction would exceed (and disregarding for these purposes any optional or mandatory breaks):
 - (i) in the case of pre-Hedging of anticipated issuance or advance of private placement notes or loans, [20] years including the pre-Hedge period but provided that such pre-hedging complies with paragraph 17(c) of this Part B;
 - (ii) in the case of interest rate Hedging, [12] years (and subject to paragraph (iv) in this Part B in relation to pre-Hedging of anticipated issuance or advance of private placement notes or loans, such period to include any pre-hedging period);
 - (iii) in the case of inflation-linked Hedging, [15] years (and subject to paragraph 17(b)(iv) in this Part B in relation to pre-Hedging of anticipated issuance or advance of private placement notes or loans, such period to include any pre-hedging period); or
 - (iv) in the case of cross-currency Hedging, [15] years (and subject to paragraph 17(b)(iv) in this Part B in relation to pre-Hedging of anticipated issuance or advance of private placement notes or loans, such period to include any pre-hedging period);
 - (c) in relation to cross-currency Hedging, unless that Contemplated Hedging Transaction is of Sterling and either Euro or US dollar denominated notional amounts; or
 - (d) if the Notional Amount of that Contemplated Hedging Transaction when aggregated with the Notional Amount of all other Hedging Transactions would exceed £[●].

Note: thresholds subject to further consideration with the expectation that the aggregate Notional Amount threshold would equate to an amount determined by reference to (i) the maximum amount of senior debt expected to raise during any given price control period and (ii) the upper limit for an effective fixed rate of debt

required by the hedging policy under the senior finance documents (e.g. 105% of the notional amount of senior debt to hedged onto an effective fixed rate).

Note: *parameters in clause 17(b) subject to further consideration.*

Note: *DA requirements subject to further consideration to take into account the potential future requirements of the Regulator. Consideration to form part of wider discussions on financing plan.*

Annex 1

Severe Sensitivity Assumptions

Product	Severe sensitivities
Interest rate Pre-hedging	Any new GBP interest rate swap entered into to pre-hedge expected raising of senior debt will be run through a market scenario using a reduction of each value in the SONIA OIS swap curve to [●]% of that value for the Relevant Period.
Interest rate hedging	Any new GBP interest rate swap entered into will be run through a market scenario using a reduction of each value in the SONIA OIS swap curve to [●]% of that value for the Relevant Period.
Inflation hedging	Any new inflation swap transaction will be run through a market scenario showing the year on year inflation rate rising at the higher of (i) the rate of inflation by reference to then current prevailing [inflation index] plus [●]% or (ii) [●]%, in each case for the Relevant Period.
Currency hedging	Any new cross currency hedging transaction will be run through a market scenario showing highest forecast of each of (i) [●]% change in the Relevant Exchange Rate and (ii) [●]% change in interest rate spread between GBP and Relevant Currency for the Relevant Period.

For the purposes of these Severe Sensitivity Assumptions, there shall be no assumed offsetting correlation between these sensitivities and the relevant calculation shall be run on a disaggregated basis.

For the purposes of any calculation made in connection with this Approved Hedging Policy these sensitivities will be applied to both the existing hedging portfolio and any Contemplated Hedging Transaction.

Definitions

"Relevant Currency" means the underlying currency in respect of the senior debt.

"Relevant Exchange Rate" means the foreign exchange rate between GBP and the Relevant Currency.

"Relevant Period" means the time remaining to the maturity in respect of the hedging transaction.

Part 2: Agreed Financing Principles

The financing of T&SCo in connection with the Project shall be in accordance with the following principles:

1. The total sources of finance for the Project will comprise senior debt from external funders, investors and/or lenders, together with financing directly or indirectly representing investment by shareholders.
2. Financing of the Project (including security and intercreditor arrangements) will be substantially consistent with the principles and market practice from time to time for the financing of UK-based [major] infrastructure assets (including those regulated by statutory regimes equivalent to or comparable with *[insert title of Act of Parliament under which T&SCo will be licenced]*) other than the extent to which the financing structure at Licence Award modifies such principles and market practice to reflect the Project and the GSP (together, the **"Agreed Financing Principles"**).
3. Senior debt will be raised (i) on the basis of prudent treasury management, including as to pricing, tenors and management of refinancing risk, (ii) consistent with requirements of the Licence, (iii) and on arm's length and prevailing market terms, in each case consistent with the Agreed Financing Principles taking into account the performance of the Project. Where senior debt has been raised on a fixed rate or [inflation]-linked basis, it may contain early redemption/prepayment fees or premia (such as 'Spens' or make-whole payments) and such payments will constitute Breakage Costs for the purposes of the Discontinuation Agreement provided that the requirements of paragraphs 12 to 14 of Part A are satisfied.
4. The Relevant Obligors will finance the senior debt component of the capital structure through a combination of one or more sources of debt including:
 - (a) revolving credit facilities;
 - (b) term loan facilities;
 - (c) liquidity facilities;
 - (d) private placement loans/notes; and
 - (e) listed bonds,in each case consistent with the terms of paragraphs 2 and 3.
5. Unless otherwise managed through the issuance of senior debt, potential interest, inflation and currency exposures of the Relevant Companies (as defined below) in relation to financial indebtedness and/or revenues of the Project will be managed by hedging transactions entered into by the Relevant Obligors subject to the terms of the Finance Hedging Policy and the Approved Hedging Policy.
6. The financing of the Relevant Companies shall not include:
 - (a) raising debt (other than Equity Support (as defined in the finance documents)) which benefits from third party credit enhancement;
 - (b) raising any debt (other than shareholder debt) by any Relevant Companies which is structurally or contractually junior or subordinated to senior debt of any Relevant Obligor and which is not included in the [Senior RAR] and [Net Debt/Adjusted RAV financial ratio calculation] (in each case, as defined in the finance documents); or

- (c) secured creditor rights of enforcement which, save as originally contemplated by the terms of the finance documents, are inconsistent with the Agreed Financing Principles; or
- (d) the senior leverage/gearing default ratio of the Relevant Companies exceeding [80]% of RAV. For these purposes "**Relevant Companies**" means [●] and each of its subsidiaries.

Note: to be confirmed depending on agreed financing structure.

- 7. The Relevant Obligors shall not propose or agree an amendment (an "**Amendment**") to the terms of the finance documents if the effect of such Amendment would be inconsistent with these Agreed Financing Principles.
- 8. T&SCo shall procure that FinCo shall only enter into (and shall not propose or agree to any amendment which would conflict with) financing arrangements pursuant to [the FinCo Transaction Documents (as defined in the Master Definitions Agreement)] that are consistent with (i) the Agreed Financing Principles and (ii) the other terms of the Discontinuation Agreement, including this schedule, as such terms relate to the financing arrangements and terms applicable to T&SCo and the other Relevant Companies.
- 9. Relevant Obligors must not make any amendments to its finance documents, enter into any new finance documents or exercise any rights [of acceleration] under its finance documents in anticipation of Discontinuation without the approval of the SoS.

Note: this provision is designed to deal with the period leading up to an anticipated Discontinuation where the SoS will be sensitive to changes in the financing arrangements that would adversely impact its liability for discontinuation compensation. This remains subject to review of the T&SCos finance plan.

Appendix 2 to section D (*Discontinuation Agreement*): Template Discontinuation Plan

Note: *Template Discontinuation Plan remains under development.*

The Template Discontinuation Plan agreed at, and to be developed by the Parties following, Licence Award shall include the following items as a minimum:

Item	Requirements
Discontinuation	(a) details around the event(s) leading to Discontinuation;
Make-safe	(a) details of what immediate make-safe activities the T&SCo intends to undertake prior to application of the Approved Offshore Decommissioning Programme and the Onshore Decommissioning Plan; (b) details of the impact of make safe activities pursuant to (a) above on the T&S Network;
Access	(a) access right requirements to allow T&SCo to carry out the make safe activities;
Timetable	(a) a timetable for make safe activities which includes key milestones and schedule payments of any portion of compensation withheld in accordance with the discontinuation agreement;
Cost / funding	(a) a cost estimate for the make safe activities; (b) how make safe activities will be funded;
Staged release of Equity Compensation	(a) as specified by the SoS, the details of any staged release of Equity Compensation pursuant to section 19 (<i>Approved Discontinuation Plan Obligations and Equity Compensation Retention</i>) of the Discontinuation Agreement;
Other	(a) [other]

E. LIAISON AGREEMENT

No	Heading	Description
1.	Parties	<p>1.1 The Parties to the Liaison Agreement will be:</p> <p>(a) SoS; and</p> <p>(b) T&SCo</p>
2.	Conditions Precedent	<p>2.1 Detailed conditions precedent to the effectiveness of the Liaison Agreement will be specified in the full form documentation – see an outline list at Appendix 1 to this section E (<i>Liaison Agreement</i>). Such conditions precedent are expected to track the conditions precedent to the award of the Licence by the Regulator on and by Licence Award.</p> <p>2.2 T&SCo shall notify the SoS when it is satisfied that the conditions precedent have been satisfied in a form and substance satisfactory to it.</p> <p>2.3 Following receipt of T&SCo's notice pursuant to section 2.2, if the SoS is of the view that the conditions precedent have been satisfied (acting reasonably), it shall give notice to T&SCo, that the conditions precedent have been satisfied.</p>
3.	Term	<p>3.1 Subject to section 2 (<i>Conditions Precedent</i>), the Liaison Agreement will commence on Licence Award and continue until the expiry of the Discontinuation Agreement (the "Term").</p> <p>3.2 In the event of a transfer of T&SCo pursuant to the terms of the Licence, legislation or otherwise in accordance with Law, the Liaison Agreement will provide that all of the [Project Documents and] Support Documents will be transferred at the same time, in order to ensure that the integrity of the contractual structure agreed at Licence Award is maintained.</p>
4.	Changes to Project Documents	<p>4.1 T&SCo shall not without the prior written consent of the SoS:</p> <p>(a) enter into, vary, amend, replace, supplement or terminate all or any part of any Project Document which would be reasonably likely to have a Material Adverse Effect; or</p> <p>(b) notwithstanding section 4.1(a), enter into a Project Document where the proposed counterparty does not have the legal capacity, financial resources or technical competence to</p>

No	Heading	Description
		perform the rights of the counterparty under the replacement Project Document.
5.	Variations to the Approved T&S Network	<p>5.1 T&SCo must obtain the prior written consent of the SoS, where a Change in Scope results in:</p> <ul style="list-style-type: none"> (a) an extension of the asset life of the Approved T&S Network that results in an extension of the period of application of Allowed Revenue; (b) an expansion or upgrade to the Approved T&S Network that would result in an increase in the RAV or SRAV and associated increase in Allowed Revenue by [●]; or (c) the development of a new Storage Complex that does not form part of the Approved T&S Network and/or increase in permitted flow rate/capacity for an existing Storage Complex that forms part of the Approved T&S Network, ("Variation"). <p>Note: the definition of Variation remains subject to development in conjunction with the APDP and as part of ESNZ's management of change review.</p>
6.	Liaison Committee	<p>6.1 The Parties shall establish and maintain a liaison committee (the "Liaison Committee"), consisting of the representatives appointed by each Party pursuant to section 7 (<i>Representatives and personnel</i>).</p> <p>6.2 T&SCo shall report on a quarterly basis to the Liaison Committee as set out at section 8 (<i>Reporting and information requirements – Project Update Report</i>).</p> <p>6.3 The Liaison Committee shall meet to discuss the Project Update Report on a quarterly basis and no earlier than [five (5) Business Days] following T&SCo sharing the Project Update Report with the SoS.</p> <p>6.4 Each Party shall have the right (but not an obligation) to invite any Relevant Regulator and/or the RSA Counterparty to attend any meeting of the Liaison Committee, provided that not less than [five (5) Business Days'] written notice is given to the other Party prior to such meeting(s). Such Relevant Regulator(s) and/or the RSA Counterparty shall be entitled to attend such meeting(s) in an observer capacity only.</p> <p>6.5 T&SCo shall also notify the Liaison Committee of any enhanced reporting requirements in accordance with</p>

No	Heading	Description
		section 10 (<i>Reporting and information requirements – enhanced reporting</i>).
7.	Representatives and personnel	<p>7.1 Roles of the representatives of the Parties to the Liaison Agreement are to be developed, including delegated authority.</p> <p>7.2 T&SCo representative shall:</p> <ul style="list-style-type: none"> (a) manage and oversee compliance by T&SCo with its duties and obligations under the Liaison Agreement; and (b) exercise any right and perform any obligation exercisable by or to be performed by the T&SCo representative under the Liaison Agreement. <p>7.3 SoS representative shall:</p> <ul style="list-style-type: none"> (a) manage and oversee compliance by SoS with its duties and obligations under the Liaison Agreement; and (b) exercise any right and perform any obligation exercisable by or to be performed by the SoS representative under the Liaison Agreement.
8.	Reporting and information requirements – Project Update Report	8.1 T&SCo shall prepare and circulate a report on a quarterly basis to the Liaison Committee and the Inter-Regulator Forum on any issues which may have a material impact on the Project, including the requirements set out in Appendix 3 as such requirements may be updated by the SoS from time to time (the " Project Update Report ").
9.	Reporting and information requirements – additional information requests	<p>9.1 The SoS (acting reasonably) may from time to time request T&SCo to include additional information in the Project Update Report. T&SCo will provide an index of such additional information.</p> <p>9.2 The T&SCo representative shall address such information requests and shall:</p> <ul style="list-style-type: none"> (a) respond to SoS acknowledging such request promptly and in any event within [five (5)] Business Days; and (b) provide the information requested to SoS where possible (acting reasonably) within [ten (10)] Business Days.

No	Heading	Description
10.	Reporting and information requirements – enhanced reporting	<p>10.1 In the event that:</p> <ul style="list-style-type: none"> (a) claims, individually or in aggregate with all other previous claims, under the SCA reach a specified threshold (which shall be lower than the SCA Discontinuation Threshold); <p>Note: <i>threshold remains subject to further consideration by ESNZ.</i></p> <ul style="list-style-type: none"> (b) aggregate claims for Difference Payments under the RSA are forecast in the next three Charging Years to exceed a specified threshold (which shall be lower than the RSA Discontinuation Threshold); <p>Note: <i>threshold remains subject to further consideration by ESNZ.</i></p> <ul style="list-style-type: none"> (c) an Insured Risk occurs; (d) commercial insurance becomes Unavailable; (e) T&SCo receives a written notice from a Relevant Regulator requiring steps to be taken by T&SCo to remedy or prevent a contravention in relation to the Storage Complex; (f) a Remedy Event occurs; or (g) [others], <p>T&SCo shall notify the Liaison Committee and the Inter-Regulator Forum as soon as reasonably practicable and in any event within [five (5)] Business Days of the above events occurring and T&SCo shall prepare and circulate a report on a monthly basis to the Liaison Committee and the Inter-Regulator Forum updating on the status the above issues and the impact on the Project until such issue is resolved.</p>
11.	Reporting and information requirements – reporting failures	<p>11.1 In the event that T&SCo fails to comply with any of its reporting obligations set out in sections 8 (<i>Reporting and information requirements – Project Update Report</i>) to 10 (<i>Reporting and information requirements</i>), SoS shall have the right to issue a formal warning notice to T&SCo.</p> <p>11.2 Where T&SCo has received a warning notice, the reporting failure shall be escalated to the senior management of T&SCo.</p>

No	Heading	Description
		11.3 The receipt by T&SCo of two warning notices within a given Periodic Review period under the Licence shall constitute a Remedy Event.
12.	Qualifying Acquisition	<p><u>Qualifying Acquisition</u></p> <p>12.1 For the purposes of the Liaison Agreement, "Qualifying Acquisition" means an event in which a person:</p> <ul style="list-style-type: none"> (a) acquires direct or indirect control of T&SCo; or (b) acquires direct or indirect control of assets which fall within the regulatory ringfence under the Licence. <p>12.2 For the purposes of section 12.1(a) and subject to section 12.4, "control" means either</p> <ul style="list-style-type: none"> (a) where the percentage of shares or voting rights that the person holds in T&SCo increases: <ul style="list-style-type: none"> (i) from 25% or less to more than 25%; (ii) from 50% or less to more than 50%; or (iii) from less than 75% to 75% or more, or (b) where the acquisition is of voting rights in T&SCo that (whether alone or together with other voting rights held by the person) enable the person to secure or prevent the passage of any class of shareholder resolution governing the affairs of T&SCo with respect to all or substantially all matters relating to the T&S Business. <p>12.3 For the purposes of section 12.1(b) and subject to section 12.4, "control" means the acquisition of a right or interest such that the person is able:</p> <ul style="list-style-type: none"> (a) to use the asset, or use it to a greater extent than prior to the acquisition; or (b) to direct or control how the asset is used, or direct or control how it is used to a greater extent than prior to the acquisition. <p>12.4 For the purposes of section 12.1, "indirect control" means where the person does not directly hold the relevant right or interest, but holds a majority stake in an entity and that entity:</p> <ul style="list-style-type: none"> (a) holds the interest or right; or

No	Heading	Description
		<p>(b) is part of a chain of entities and either (i) each of those entities other than the last has a majority stake in the entity immediately below it in the chain, and the last entity holds the interest or right, or (ii) if the last entity in the chain holds a majority stake in the T&SCo, all but one of the other entities in the chain hold a majority stake in the entity immediately below it in the chain, and the other entity in the chain holds more than 25% of the shares or voting rights in the entity immediately below it.</p> <p>12.5 For the purposes of section 12.4, A has a "majority stake" in B if:</p> <p>(a) A holds a majority of voting rights in B,</p> <p>(b) A is a member of B and has the right to appoint or remove a majority of the board of directors of B,</p> <p>(c) A is a member of B and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in B, or</p> <p>(d) A has the right to exercise, or actually exercises, dominant influence over B for the purposes of section 1162(2)(c) and paragraph 4 of Schedule 7 the Companies Act 2006,</p> <p>where "majority" means a simple majority of more than 50%.</p> <p>12.6 In section 12.5:</p> <p>(a) the reference to the right to appoint or remove a majority of the board of directors of an entity is to the right to appoint or remove directors holding a majority of the voting rights at meetings of the board on all or substantially all matters,</p> <p>(b) the reference to the board of directors, in the case of an entity that does not have such a board, is to be read as a reference to the equivalent management body of that entity.</p> <p><u>Notification of a Qualifying Acquisition</u></p> <p>12.7 T&SCo shall</p> <p>(a) inform the SoS in writing; and</p>

No	Heading	Description
		<p>(b) provide the information set out in Appendix 4 to this Section E (Liaison Agreement) of which it is aware or ought reasonably to be aware, having made reasonable enquiries,</p> <p>not less than [thirty (30)] Business Days in advance of completion of any Qualifying Acquisition of which it is aware or ought reasonably to be aware, including in light of the provisions of section 12.8.</p> <p>12.8 T&SCo shall procure from each company or other person which T&SCo knows or reasonably should know is at any time an Ultimate Controller of T&SCo a legally enforceable undertaking in favour of T&SCo that the Ultimate Controller (the "information covenantor") will give to T&SCo, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than T&SCo and its subsidiaries) will give to T&SCo all such information as may be necessary (and is within its power to give) to enable T&SCo to comply fully with the obligations imposed on it by paragraph 12.7. Such undertaking shall be obtained upon such corporate body or other person in question becoming an Ultimate Controller of T&SCo and shall remain in force for so long as T&SCo has a Licence under the Act and the information covenantor remains an Ultimate Controller of T&SCo.</p>
13.	Remedy and Failure Event regime	<p>13.1 The Remedy Events are defined to capture T&SCo's failures which take the T&S Network outside the basis for the SoS's offer of the GSP. They are therefore defined by reference to events which, of themselves or subject to having the requisite Material Adverse Effect, represent a shift outside the basis for that offer – see definition of Remedy Events outlined in Appendix 2.</p> <p>13.2 Upon the occurrence of a Remedy Event there will be a restriction on Distributions until the Remedy Event (and associated Failure Event) is Remedied.</p> <p>13.3 Following the occurrence of a Remedy Event, T&SCo will have the opportunity to remedy the Remedy Event or agree a Remediation Plan with the SoS, in each case within a prescribed period. It should be noted in particular that where remediation of a Remedy Event is not reasonably practicable, the Remediation Plan will only require mitigation of the Remedy Event, rather than remediation (see paragraph 3 of Appendix 2).</p>

No	Heading	Description
		<p>13.4 If a Failure Event arises, then this has the following consequences:</p> <ul style="list-style-type: none"> (a) where the Failure Event has arisen as a consequence of breach by T&SCo of any provision of the Supplemental Compensation Agreement or breach of the Storage Permit, escalation of the fee and additional retentions under the Supplemental Compensation Agreement; and/or (b) any project spend: <ul style="list-style-type: none"> (i) which is incurred during the period that a Failure Event has occurred but has not been remedied or reduced to a Remedy Event; and (ii) which qualifies for assignment by the Regulator to the RAV under the Licence, <p>shall be deducted from the Total Compensation Amount by the SoS pursuant to the Discontinuation Agreement (and such deductions shall cease to apply where a Failure Event is remedied or reduced to a Remedy Event).</p>
14.	Transfer Scheme	<p>14.1 Where the Regulator is entitled to revoke the Licence, T&SCo acknowledges that a Transfer Scheme may be applied.</p> <p>14.2 T&SCo hereby provides its consent to the operation of any such Transfer Scheme on the basis that the amount of the consideration paid to the T&SCo by the transferee, by way of compensation to the T&SCo for the transfer under the Transfer Scheme, is calculated as follows:</p> <ul style="list-style-type: none"> (a) if revocation is as a result of Discontinuation, compensation will be provided for as set out under the Discontinuation Agreement; or (b) if revocation is as a result of any other reason, compensation will be determined by an independent valuer (who must be a qualified insolvency practitioner from an international professional services firm and who may rely on valuation analysis prepared by the international professional services firm and/or an international investment bank) appointed for such purpose by the SoS and such

No	Heading	Description
		<p>determination shall be based on the following principles:</p> <ul style="list-style-type: none"> (i) where the undertaking of T&SCo is or has been transferred as a going concern under a Transfer Scheme: <ul style="list-style-type: none"> (A) the independent valuer shall determine what each member and creditor of T&SCo would most likely have received if instead of the revocation of the Licence, T&SCo had instead entered a special administration process immediately before the revocation of the Licence and such special administration process has resulted in a transfer as a going concern; and (B) the compensation payable (if any) to T&SCo for payment to its creditors and members (as applicable) should result in no worse outcome in monetary terms for each member and creditor as a result of the Transfer Scheme than the result of the valuation applicable to them in limb (A) above; (C) in undertaking the valuation referred to in paragraph 14.2(b)(i)(A) above, the independent valuer shall: <ul style="list-style-type: none"> (aa) assume that there would have been a willing buyer out of special administration through a T&S transfer scheme; (bb) assume that the T&S transfer scheme would have included (without limitation) the Licence, GSP, RSA and T&S Assets; and <p>Note: separately, ESNZ will also be incorporating a stapling provision in the GSP/RSA.</p>

No	Heading	Description
		<p>(cc) assist with (on behalf of the Secretary of State) any consultation, concerning matters directly relevant to the provision the Transfer Scheme should make as regards compensation for the T&SCo, as between the Secretary of State with the Regulator (including in particular regarding any assumptions the independent valuer should make concerning the conditions of the Licence relevant to the post-transfer revenue that the may have been made either following a T&S transfer scheme), the Health and Safety Executive, the NSTA, the appropriate devolved authorities (if any), and such other persons as the Secretary of State considers appropriate; and</p> <p>(D) when undertaking the valuation referred to in paragraph 14.2(b)(i)(A):</p> <p>(aa) the independent valuer shall not include in its calculation the remuneration and disbursements of the special administrator which would only have been incurred as a result of a special administration;</p> <p>(bb) any assumed expenses of the assumed special administration that would have fallen within paragraph 99(3) or paragraph 99(4) of Schedule B1 of the Insolvency Act 1986 (as</p>

No	Heading	Description
		<p>applied to special administration by [section 44 of the Energy Bill]), including without limitation the costs of its operations, or any financial assistance which may have been provided by the Secretary of State to the T&SCo (or its special administrator) during the assumed special administration,</p> <p>in each case which do not arise under the Transfer Scheme, and have not arisen, on the basis that no special administrator has been appointed;</p> <p>(ii) where the undertaking of T&SCo is not transferred as a going concern under a Transfer Scheme, the independent valuer shall determine compensation payable by reference to the outcome for each shareholder and member had the T&SCo entered a compulsory liquidation immediately prior to revocation of the Licence;</p> <p>(iii) references to "as a going concern" in paragraph (ii) 14.2(b)(i) above shall mean that the Transfer Scheme was made with the objective set out in section 50(2)(a) of the Energy Bill of securing that the activities authorised by the Licence are continued by the transferee (or if the transfer is to two or more transferees, by those transferees in aggregate).</p> <p>14.3 T&SCo acknowledges that where the Regulator is entitled to issue a T&SCo of Last Resort Direction, T&SCo may be the intended transferee of designated property, rights or liabilities under a Transfer Scheme concerning another CCS Licensee. For the purposes of complying with any T&SCo of Last Resort Direction (and subject to its terms), T&SCo hereby provides its consent to such a Transfer Scheme.</p> <p>14.4 The assumptions to be applied by the independent valuer under clause 14.2 concerning a hypothetical special administration in the event of a Transfer</p>

No	Heading	Description
		Scheme shall not restrict in any way, or fetter the discretion of, the Secretary of State during the course of an actual special administration.
15.	Dispute Resolution Procedure	<p>15.1 Any dispute arising out of or in connection with the Liaison Agreement, including in relation to any amounts payable under or pursuant to the Liaison Agreement (a "Relevant Dispute"), shall be resolved in accordance with the Dispute Resolution Procedure set out in this section 15.</p> <p>15.2 In the event of a Relevant Dispute, the matter shall first be referred to the Liaison Committee for resolution by the Parties.</p> <p>15.3 If the Relevant Dispute is not resolved by the Liaison Committee after a period of [ten (10)] Business Days on and from such referral (or such other period as agreed between the Parties in writing), either Party shall be entitled to refer the Relevant Dispute to identified senior representatives for resolution. If the Relevant Dispute is not resolved by the senior representatives after a further period of [ten (10)] Business Days on and from such referral to identified senior representatives (or such other period as agreed between the Parties in writing), then:</p> <ul style="list-style-type: none"> (a) the Parties may agree to refer the Relevant Dispute for expert determination; or (b) either Party may refer the Relevant Dispute to the courts of England and Wales.
16.	Limits of Liability	<p>16.1 There will be provisions relating to:</p> <ul style="list-style-type: none"> (a) exclusion of liability for consequential/indirect losses; and (b) remedies for breach under the Liaison Agreement or Support Documents.
17.	Assignment and Sub-Contracting	<p>17.1 The Liaison Agreement will include restrictions on assignment, transfers and sub-contracting the benefit or burden of any right or obligation under the Support Documents in whole or in part except with the prior written consent of the other relevant parties (such consent not to be unreasonably withheld or delayed).</p> <p>17.2 The SoS may, subject to the conditions to be set out in the Liaison Agreement, transfer its rights or novate its obligations under the Liaison Agreement to any</p>

No	Heading	Description
		Minister of the Crown or any entity directly wholly-owned by a Minister of the Crown.
18.	Confidentiality	<p>18.1 The Liaison Agreement will set out confidentiality provisions which will apply to all Parties in respect of the Project. There will be customary exceptions.</p> <p>18.2 The Liaison Agreement sets out that the SoS is, and that T&SCo may become subject to, the requirements of the FOIA and the Environmental Information Regulations and each Party shall facilitate compliance by the other Party with its information disclosure requirements pursuant to the FOIA and the Environmental Information Regulations.</p>
19.	Survivorship	19.1 Following the expiry of the Liaison Agreement each Party shall cease to have rights or obligations under the Liaison Agreement, save that the rights under section 13 (<i>Remedy and Failure Event regime</i>), section 14 (<i>Transfer Scheme</i>), section 15 (<i>Dispute Resolution Procedure</i>), section 16 (<i>Limits of Liability</i>), section 18 (<i>Confidentiality</i>) and section 21 (<i>Governing Law</i>) will continue in full force and effect.
20.	Rights of Third Parties	20.1 A person who is not a Party to the Liaison Agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
21.	Governing Law	21.1 The Liaison Agreement shall be governed by and construed in accordance with English law and the courts of England and Wales shall have exclusive jurisdiction.
22.	Definitions	<p>In this section E (<i>Liaison Agreement</i>), terms defined in the Licence heads of terms shall have the same meaning and:</p> <p>"Approved Discontinuation Plan" has the meaning given to it in section D (<i>Discontinuation Agreement</i>);</p> <p>"Approved T&S Network" has the meaning given to it in the Licence heads of terms, as at Licence Award;</p> <p>"Allowed Revenue" has the meaning given to in the Licence and as it relates to the Approved T&S Network;</p> <p>"CCS Network Code" means the document designated as such and required to be maintained by the licensee under the Licence;</p> <p>"Commercial Insurances" has the meaning given to it in section C (<i>Supplemental Compensation Agreement</i>);</p>

No	Heading	Description
		<p>"Difference Payments" has the meaning given to it in the RSA heads of terms;</p> <p>"Discontinuation" has the meaning given to it in section D (<i>Discontinuation Agreement</i>);</p> <p>"Discontinuation Agreement" means the agreement between SoS and T&SCo setting out the discontinuation events, the consequences of discontinuation and how discontinuation compensation is to be calculated;</p> <p>"Dispute Resolution Procedure" means the procedure for the resolution of disputes set out in section 15 (<i>Dispute Resolution Procedure</i>) of this section E (<i>Liaison Agreement</i>); "Environmental Information Regulations" means the Environmental Information Regulations 2004 (as amended);</p> <p>"Failure Event" has the meaning given to it in Appendix 2 of this section E (<i>Liaison Agreement</i>);</p> <p>"Finance Documents" means the agreements in relation to the financing of T&SCo and any subsequent agreements or amendments to such agreements entered into by T&SCo in relation to its indebtedness and any other document designated by the SoS (acting reasonably) as a Finance Document from time to time;</p> <p>"FOIA" means the Freedom of Information Act 2000 (as amended);</p> <p>"GSP" means the Government Support Package, comprising the Supplemental Compensation Agreement, the Discontinuation Agreement and the Liaison Agreement;</p> <p>"FOIA" means the Freedom of Information Act 2000 (as amended);</p> <p>"Inter-Regulator Forum" means the industry forum made up of T&SCo, the SoS and the following:</p> <ul style="list-style-type: none"> (a) [the Regulator; (b) NSTA; (c) OPRED; (d) HSE; (e) RSA Counterparty; and (f) [others]];

No	Heading	Description
		<p>Note: <i>the establishment, scope and role of an Inter-Regulator Forum remains subject to further consideration by ESNZ.</i></p> <p>"Law" means any enactment or subordinate legislation, rule, regulation, order, directive or other provision which has force of law in the United Kingdom;</p> <p>"Liaison Committee" means the liaison committee established pursuant to section 6 (<i>Liaison Committee</i>) of this section E (<i>Liaison Agreement</i>);</p> <p>"Licence" means the economic licence to be granted under HM Government's CCUS programme pursuant to section 7 of the Act;</p> <p>"Material Adverse Effect" has the meaning given to it in Appendix 2 of this section E (<i>Liaison Agreement</i>);</p> <p>"Minister of the Crown" shall have the meaning given to it in the Minister of the Crown Act 1975;</p> <p>"Project Documents" means any of the following agreements entered into, or to be entered into, by T&SCo in respect of the T&S Network:</p> <ul style="list-style-type: none"> (a) [operating contracts; (b) crown estate leases; (c) permits and consents; (d) insurances[, whether required to be procured by T&SCo by Law, the Licence, the GSP, or otherwise]; (e) [others]], <p>Note: <i>list of Project Documents remains under review by ESNZ.</i></p> <p>"Project Update Report" has the meaning given to it in section 8 of this section E (<i>Liaison Agreement</i>);</p> <p>"Qualifying Acquisition" has the meaning given to it in section 12 (<i>Qualifying Acquisition</i>) of this section E (<i>Liaison Agreement</i>);</p> <p>"RAV" has the meaning given to in the Licence, as it relates to the Approved T&S Network;</p> <p>"Relevant Dispute" has the meaning given to it in section 15.1;</p> <p>"Relevant Regulator" means the NSTA, OPRED, HSE, or Ofgem;</p>

No	Heading	Description
		<p>"Remediation Plan" has the meaning given to it in Appendix 2 of this section E (<i>Liaison Agreement</i>);</p> <p>"Remedy Event" has the meaning given to it in Appendix 2 of this section E (<i>Liaison Agreement</i>);</p> <p>"Remedy Event Notice" means a notice of the Remedy Event served by SoS on T&SCo;</p> <p>"Revenue Support Agreement" or "RSA" means the revenue support agreement;</p> <p>"RSA Discontinuation Threshold" has the meaning given to it in section D (<i>Discontinuation Agreement</i>);</p> <p>"SCA Discontinuation Threshold" has the meaning given to it in section D (<i>Discontinuation Agreement</i>);</p> <p>"SRAV" has the meaning given to in the Licence, as it relates to the Approved T&S Network;</p> <p>"Storage Complex" has the meaning given to that term in the Carbon Dioxide Storage Regulations and as such Storage Complex is identified as part of the Approved T&S Network;</p> <p>"Storage Permit" has the meaning given to that term in the Carbon Dioxide Storage Regulations and as such Storage Permit relates to the Approved T&S Network;</p> <p>"Storage Site" has the meaning given to that term in the Carbon Dioxide Storage Regulations and as such Storage Site is identified as part of the Approved T&S Network;</p> <p>"Support Documents" means the GSP and the RSA;</p> <p>"Template Discontinuation Plan" has the meaning given to it in section D (<i>Discontinuation Agreement</i>);</p> <p>"Term" has the meaning given to it in section 3 (<i>Term</i>) of this Section E (<i>Liaison Agreement</i>);</p> <p>"Total Compensation Amount" has the meaning given to it in section D (<i>Discontinuation Agreement</i>);</p> <p>"Unavailability" has the meaning given to it in section C (<i>Supplemental Compensation Agreement</i>); and</p> <p>"Variation" has the meaning given to it in section 5 (<i>Variations to the Approved T&S Network</i>) of this Section E (<i>Liaison Agreement</i>).</p>

Appendix 1: Outline Conditions precedent to the GSP

Note: this list of conditions precedent is a high-level list only, offering examples of the categories of conditions precedent that may be required. This list is expected to develop as the business model (and User business models) progress.

A.	T&S network	Examples
1.	Legislation	1.1 New legislation required for implementation of the CCUS programme
2.	Licence	2.1 Appointment of Regulator 2.2 Grant of the Licence
3.	CCS Network Code	3.1 Establishment and maintenance of the CCS Network Code 3.2 T&SCo becoming legally bound by the CCS Network Code by signing or acceding to the Code Agreement
4.	Revenue Support	4.1 Appointment of RSA Counterparty 4.2 Award of RSA
5.	Property and planning	5.1 Planning approval and conditions 5.2 Land agreements 5.3 Asset protection agreements
6.	Licences and consents	6.1 Storage Permit 6.2 Grant of rights from the Crown Estate and/or Crown Estate Scotland 6.3 UK ETS permit 6.4 Other
7.	Mandated requirements	7.1 [Any specific mandated requirements have been met]
8.	Equity	8.1 Evidence that T&SCo has been established 8.2 T&SCo governance arrangements (including shareholders agreement) in satisfactory form

9.	Finance	9.1 Finance Documents including intercreditor arrangements in satisfactory form
10.	Model/tax	10.1 Model/tax audit of base case financial model, including sensitivity checks
11.	Sub-contractors	11.1 Appointment of works contractor(s) and professional team 11.2 Appointment of operator contractor(s) 11.3 Appointment of other key sub-contractor(s) 11.4 Execution of sub-contracts
12.	Technical	12.1 Satisfactory conclusion of technical assessment of costs/returns for Licence 12.2 Satisfactory assurance of store performance, including (but not limited to) a "Competent Person's Report" (CPR) delivered by an independent auditor, which shall be subject to SoS approval of: (a) the independent auditor selected by T&SCo to conduct the CPR; and (b) the final form of CPR furnished to the SoS by (or on behalf of) T&SCo
13.	Insurance	13.1 Placements and commitments in respect of the Commercial Insurances (which excludes insurances that are Unavailable at Licence Award) in accordance with sections 3.3 and 3.4 of the SCA 13.2 Broker's undertakings 13.3 Lead Insurer Agreement
14.	Inter-regulator Forum	14.1 Establishment of Inter-regulator Forum
15.	Formalities	15.1 Approvals of contract counterparties 15.2 Legal opinions in satisfactory form 15.3 Adviser due diligence reports in satisfactory form 15.4 Evidence of satisfaction of know your customer checks
	User business models	Indicative CPs

16.	Power	16.1	Awarded DPAs, including any associated conditions precedent
17.	Industry	17.1	Awarded ICCCs, including any associated conditions precedent
18.	Hydrogen	18.1	Awarded support contract, including any associated conditions precedent
19.	Bioenergy Carbon Capture System (BECCS)	19.1	Awarded support contract, including any associated conditions precedent
20.	Direct Air Carbon Capture System (DACCS)	20.1	Awarded support contract, including any associated conditions precedent

Appendix 2: Remedy and Failure Event regime

No.	Item	Commercial Terms
1.	Remedy Event	<p>1.1 "Remedy Event" means:</p> <ul style="list-style-type: none"> (a) breach of an obligation of T&SCo under the Liaison Agreement which has or is reasonably likely to have a Material Adverse Effect; (b) breach of an obligation of T&SCo under the Support Documents which has or is reasonably likely to have a Material Adverse Effect; (c) breach of a material obligation of T&SCo under its Storage Permit which results in a written notice from NSTA to T&SCo; (d) failure to maintain Commercial Insurance or to comply in all material respects with the renewal process where there is no Unavailability pursuant to the Supplemental Compensation Agreement; (e) failure to (i) market test the insurance market or (ii) comply in material respects with the insurance market testing process, pursuant to the terms of the Supplemental Compensation Agreement; (f) failure to issue a Qualifying Acquisition Notice to the SoS pursuant to the terms of the Liaison Agreement; (g) breach by T&SCo of any restriction on making Distributions; (h) receipt of two warning notices within a given Periodic Review period under the Licence, validly issued pursuant to section 11 (<i>Reporting and information requirements – reporting failures</i>) of the Liaison Agreement; (i) breach by T&SCo of the Agreed Financing Principles and/or the Approved Hedging Policy; (j) failure to maintain tax residency in the United Kingdom; or (k) [other]. <p>Note: list of Remedy Events remains under review by ESNZ.</p>
2.	Material Adverse Effect	<p>2.1 "Material Adverse Effect" means a material adverse effect on:</p>

No.	Item	Commercial Terms
		<p>(a) any right or liability (whether actual, potential or contingent) of the SoS; or</p> <p>(b) the ability of the SoS to perform its obligations,</p> <p>in each case under or in relation to the Support Documents or at Law; or</p> <p>(c) the effect of materially increasing the likelihood of a call on any element of the Support Documents.</p>
3.	Failure Event	<p>3.1 A "Failure Event" only arises where SoS has served a Remedy Event Notice on T&SCo and T&SCo has not remedied a Remedy Event and T&SCo fails:</p> <p>(a) to put forward or to agree a Remediation Plan (in accordance with section 4), in each case within a prescribed period; or</p> <p>(b) to comply in any material respect with the agreed Remediation Plan.</p>
4.	Remediation Plan	<p>4.1 "Remediation Plan" means a programme for remedying or mitigating the Remedy Event (as applicable) within a prescribed period which is acceptable to the SoS, acting reasonably.</p> <p>4.2 For the purposes of agreeing the Remediation Plan, the SoS and T&SCo shall have due regard to the following considerations:</p> <p>(a) the extent to which the event or circumstance giving rise to the Remedy Event is reasonably capable of being remedied;</p> <p>(b) the extent to which the event or circumstance giving rise to the Remedy Event is reasonably capable of being mitigated; and</p> <p>(c) any alternative steps which may be appropriate having regard to the risks of the SoS under the GSP.</p> <p>4.3 There will be a process for submission by the T&SCo of a draft Remediation Plan which will require the SoS, within a prescribed time period, to respond notifying that it accepts the draft Remediation Plan or the reasons why (acting reasonably) that it does not accept the draft Remediation Plan.</p> <p>4.4 The agreed Remediation Plan will be considered at Liaison Committee meetings to ensure that it remains up-to-date and also to record progress against the plan. Where the Parties at a Liaison Committee meeting agree that the</p>

No.	Item	Commercial Terms
		<p>agreed Remediation Plan is not capable of being completed for reasons outside of the control of the Parties, the Parties will act in good faith to agree to amend the Remediation Plan (with such amendment(s) to be effected in accordance with section 4.5 below).</p> <p>4.5 Any amendments proposed to the Remediation Plan shall be subject to agreement in writing by the Parties.</p>
5.	Remedied	<p>5.1 A Remedy Event (and the associated Failure Event, if applicable) shall be treated as "Remedied" if:</p> <ul style="list-style-type: none"> (a) T&SCo remedies the Remedy Event; (b) T&SCo completes the relevant Remediation Plan; or (c) the SoS waives the Remedy Event.
6.	Reduction of Failure Event to Remedy Event	<p>6.1 If a Failure Event has arisen but:</p> <ul style="list-style-type: none"> (a) where a Remediation Plan has not previously been agreed, the SoS and T&SCo have subsequently agreed a Remediation Plan and the SoS is satisfied (acting reasonably) that T&SCo is making substantial progress in carrying out the Remediation Plan; or (b) where a Remediation Plan has previously been agreed but T&SCo has failed to comply in any material respect with the agreed Remediation Plan, the SoS is subsequently satisfied (acting reasonably) that T&SCo has resumed making substantial progress in carrying out the Remediation Plan, <p>the Failure Event will be reduced to a Remedy Event (noting that the restriction on Distributions will then continue until the Remedy Event is Remedied).</p>

Appendix 3: Project Update Report

The Project Update Report shall include the following:

Project specification	<ul style="list-style-type: none"> (a) Any new significant risks or material changes to the remaining significant risks (as updated) identified in the Project Risk Register. (b) Details of plans for new users to connect to the T&S Network or existing Users to disconnect from the T&S Network. (c) Any proposed Variations. (d) Details of any non-regulated activity in respect of the T&S Network.
Performance	<ul style="list-style-type: none"> (a) Reasonable details of the performance of each of [the Project Documents and] the Support Documents, including any material breaches of [the Project Documents or] the Support Documents which have been made by any party thereto since the last report. (b) Details of any Remedy Event and/or Failure Event. (c) Details of any specified regulatory reports relevant to the containment of CO₂ and the monitoring of CO₂ including for the purposes of UK ETS compliance.
Finance	<ul style="list-style-type: none"> (a) An update on the financing plan, including any proposed or contemplated equity or debt issuance (with the dates, amounts and principal terms of such issuances) and hedging arrangements. (b) Details of any event of default or potential event of default or breach of cover ratios under the T&SCo's financing arrangements.
Insurance	<ul style="list-style-type: none"> (a) Any change in the terms or availability of the Commercial Insurances (or any change that T&SCo foresees is likely to occur in respect of the terms or availability of the Commercial Insurances). (b) Any detail relating to the renewal of insurances, carried out by T&SCo pursuant to section 11 (<i>Renewal of Insurances</i>) of the SCA. (c) Details of any claims made under the Commercial Insurances (and in respect of claims made (but not settled) over a certain de minimis threshold, the status of those claims).
HMG Contingent Liabilities	<ul style="list-style-type: none"> (a) Any relevant information relating to the management by HM Government of its contingent liabilities as part of its responsibilities for managing public finances.
SCA Discontinuation Threshold	<ul style="list-style-type: none"> (a) T&SCo forecasts of the likelihood of triggering the SCA Discontinuation Threshold pursuant to the Discontinuation Agreement.
RSA Discontinuation Threshold	<ul style="list-style-type: none"> (a) T&SCo forecasts of the likelihood of triggering the RSA Discontinuation Threshold pursuant to the Discontinuation Agreement.

Discontinuation Plan	(a) Any updates required to the Approved Discontinuation Plan.
Qualifying Acquisition	(a) Details in relation to any Qualifying Acquisition or proposed Qualifying Acquisition.
Information	(a) Any information required as a result of the enhanced reporting requirements at section 10 (<i>Reporting and information requirements - Enhanced Reporting</i>) of section E (<i>Liaison Agreement</i>).
Other	(a) Any additional information requested by the SoS pursuant to section 10 (<i>Reporting and information requirements – enhanced reporting</i>) of section E (<i>Liaison Agreement</i>).

Appendix 4: Qualifying Acquisition Notifications

Where T&SCo is required to notify the SoS of any Qualifying Acquisition pursuant to section 12 of the Liaison Agreement, the T&SCo shall provide in such notification the following information:

No.	Item	Detail
1	Acquirer contact details and related notifications	<ul style="list-style-type: none"> a) number of all persons involved in the Qualifying Acquisition b) name of person(s) involved c) contact details of the person(s) d) details on any notification to any UK or overseas investment screening regimes that person (or persons) has submitted within the last 12 months
2	Acquisition details	<ul style="list-style-type: none"> a) the percentage of the shares or voting rights that the person(s) holds in the entity b) expected date of the Qualifying Acquisition c) approvals required by UK regulators d) rationale for the Qualifying Acquisition
3	Entity details	<ul style="list-style-type: none"> a) name and address of the entity b) contact details of the authorised individual in entity c) companies house registration number d) standard industrial classification SIC code. e) details on all licences held to operate within the UK. f) description of dual use item g) details on entity relationship with the UK Government h) pre-Qualifying Acquisition structure chart of the entity. i) details on any non-UK government which have a direct or indirect role in the operation or decision making of the entity.
4	Acquiring person(s) details	<ul style="list-style-type: none"> a) name, address, and business registration details b) details on any non-UK government, or representative of any non-UK government, have share ownership or voting rights in the person(s). c) details on any non-UK government which have a direct or indirect role in the operation or decision making of the acquirer d) when the Qualifying Acquisition completes, details on if there will be any contractual arrangements in place regarding share ownership or voting rights between the person(s) and any other party. e) structure chart of person(s) which includes the % ownership and country of incorporation
5	Additional information	Other relevant documentation and information on the Qualifying Acquisition.

Annex C: Revenue Support Agreement

CCUS: Revenue Support Agreement for T&SCo

Introduction and Indicative Heads of Terms

Note: these indicative heads of terms are subject to the "Disclaimer" section at the front of the explanatory note document to which they are annexed.

A. INTRODUCTION

1.1 Background

- (a) The indicative heads of terms in section B (*Revenue Support Agreement*) of this document set out the basis upon which a revenue support agreement ("**RSA**") could be provided to a company licensed to provide transport and storage services ("**T&SCo**") as part of HM Government's ("**HMG**") CCUS Programme (the "**Programme**").
- (b) The contents of the indicative heads of terms in section B (*Revenue Support Agreement*) of this document are indicative only and do not constitute an offer by the RSA Counterparty and do not create a basis for any form of expectation or reliance. Any RSA arrangements that are developed in the future will be subject to approval by Ministers, in consultation with the economic regulator ("**Regulator**"), and the development and completion of necessary contractual documentation.
- (c) The introduction set out in this section A does not form part of the indicative heads of terms in section B (*Revenue Support Agreement*) of this document and is intended only to provide an overview of the rationale and assumptions for the provision of the RSA.

1.2 Rationale

- (a) In the development of the revenue model for the transport and storage ("**T&S**") network, HMG has identified that there may be certain demand-related revenue risks to T&SCo, where T&SCo's actual revenues may fall short of T&SCo's Allowed Revenue set by the Regulator under the economic regulatory regime ("**ERR**") or where the first User of the T&S Network joins later than expected. HMG has considered how these demand-related revenue risks will be mitigated and identified a number of risk mitigation mechanisms ("**RMMs**"). If the initial proposals for these RMMs are not sufficient, HMG has identified the RSA as a mechanism which will enable the recovery by T&SCo of:
 - (i) its Allowed Revenue in the event of a shortfall; and/or
 - (ii) unavoidable operating expenditure and [allowed cost of debt and equity and depreciation]¹ where the first User is delayed in joining the T&S Network.
- (b) The detailed terms of coverage of the RSA remain under consideration, but the indicative heads of terms in section B (*Revenue Support Agreement*) of this document set out current HMG thinking on the support which could be provided by the RSA. Final provisions will depend upon the final terms of the ERR and the target risk profile.

1.3 Description

¹ Note: see section 8 below.

- (a) This document comprises the following:
 - (i) section A: an introduction to the RSA; and
 - (ii) section B: heads of terms for the RSA.
- (b) The scope of the areas of specific protection set out in section B (*Revenue Support Agreement*) of this document remains subject to review, in particular in the context of the evolving detail of the ERR.

1.4 Initial assumptions

- (a) This document is based on the following assumptions in respect of the T&S Network:
 - (i) ownership of the T&S Network: the "onshore" (i.e. Onshore Transportation Systems) and "offshore" (i.e. Offshore Transportation and Storage Systems) elements of the T&S Network will be owned by T&SCo. In particular, T&SCo will hold any Crown Estate (including Crown Estate Scotland) lease and licence/permit issued by the NSTA (or licensing authority of a devolved administration);
 - (ii) development and operation of the T&S Network: T&SCo will be responsible for the development, construction, operation and maintenance of the T&S Network, including obtaining all necessary permits and approvals;
 - (iii) expansion of the T&S Network: in the future T&SCo may need to expand the T&S Network under the terms of the ERR and will provide access to new Users of the T&S Network in accordance with the terms of its Licence, the CCS Network Code and all relevant laws and regulations;²
 - (iv) decommissioning: T&SCo will be responsible for the decommissioning and monitoring of:
 - (A) the Offshore Transportation and Storage System in accordance with the Petroleum Act 1998 as applied under the Energy Act 2008 (as may be amended or supplemented) and with regards to post closure and monitoring obligations, T&SCo will be responsible as set out in its storage permit and licence granted by the NSTA; and
 - (B) the Onshore Transportation System in accordance with the relevant decommissioning conditions of any development/planning consent;
 - (v) T&S charges: Users of the T&S Network will pay T&SCo charges for provision of T&S services which will be regulated under the ERR;
 - (vi) CO₂ ownership: title and risk in CO₂ delivered to the T&S Network will pass to T&SCo at the Delivery Point; and
 - (vii) government support package ("**GSP**"): T&SCo will benefit from a GSP provided by HMG to cover certain high impact, but low probability, risks beyond those which are manageable by operation of the ERR and the RSA, which the investors and/or supply chain, including insurers, of T&SCo cannot

² Consideration is being given to changes required to the existing third party access rules as a result of the new regulatory regime.

take, or cannot price at an efficient level which is good value for money for UK taxpayers, consumers or Users.

1.5 **Defined terms**

Capitalised terms not otherwise defined in this document, including in section 19 (*Definitions*), have the meaning given to them in the Licence heads of terms.

B. REVENUE SUPPORT AGREEMENT

No.	Item	Commercial Terms
1.	Parties	<p>1.1. The Parties to the RSA will be:</p> <ul style="list-style-type: none"> (a) T&SCo; and (b) [Low Carbon Contracts Company Ltd] ("RSA Counterparty"), <p>each a "Party" together the "Parties".</p> <p>Note: the minded position is that the Low Carbon Contracts Company Ltd (LCCC) will be the RSA Counterparty. This remains subject to parliamentary approval of the Energy Bill and implementation of the RSA Counterparty designation process.</p>
2.	Rationale	<p>2.1. The Revenue Support Agreement is intended to provide mitigation against demand-related risk of shortfall in actual revenues earned by T&SCo compared with the Allowed Revenue set by the Regulator under the ERR.</p>
3.	Term	<p>3.1. The term of the Revenue Support Agreement shall commence on and from Licence Award and shall expire on the first to occur of:</p> <ul style="list-style-type: none"> (a) [●] (or such other date as the Parties may agree); (b) Discontinuation; and (c) revocation of the Licence.
4.	Conditions precedent	<p>4.1. T&SCo will be required to satisfy certain initial conditions precedent specified in the Revenue Support Agreement including, amongst other things:</p> <ul style="list-style-type: none"> (a) evidence that it holds a Licence pursuant to which T&SCo is entitled to receive an Allowed Revenue; (b) a capacity legal opinion from its legal advisers; (c) evidence of satisfaction of know your customer checks; and (d) other conditions precedent, equivalent to those set out in Appendix 1 of the Liaison Agreement heads of terms.
5.	Interim Difference Payment	<p>5.1. The Interim Difference Payment shall be calculated as the amount by which the Adjusted Allowed Revenue is greater than the Adjusted Forecast Market Revenue.</p> <p><u>Calculation and evidence</u></p>

No.	Item	Commercial Terms
		<p>5.2. T&SCo shall submit to the RSA Counterparty its evidence of and calculations for the Interim Difference Payment for each Charging Year_t no later than four months prior to commencement of Charging Year_t.</p> <p>5.3. The evidence and calculations provided by T&SCo pursuant to section 5.2 shall include, as a minimum, the following in respect of each Interim Difference Payment:</p> <ul style="list-style-type: none"> (a) the methodology and input data used by T&SCo to calculate the relevant Interim Difference Payment; (b) evidence of review, assurance or confirmation by the Regulator in relation to amounts required for the Interim Difference Payment in accordance with section 10 (<i>Regulator review, assurance or confirmation</i>); and (c) a certificate signed by a director or authorised signatory of T&SCo, certifying that the information provided to the RSA Counterparty pursuant to section 5.2 is true, complete and accurate. <p><u>Assurance by the RSA Counterparty</u></p> <p>5.4. Following receipt by the RSA Counterparty of the evidence of and calculations for the Interim Difference Payment in accordance with sections 5.2 and 5.3, the RSA Counterparty shall review such evidence and calculations and notify T&SCo in writing whether or not the RSA Counterparty is satisfied with the Interim Difference Payment provided by T&SCo, prior to the commencement of Charging Year_t.</p> <p>5.5. If the RSA Counterparty notifies T&SCo in writing pursuant to section 5.4 that it is satisfied with the evidence of and calculations for the Interim Difference Payment submitted by T&SCo, then the pro-rata calculation shall be carried out by the RSA Counterparty pursuant to section 5.8.</p> <p>5.6. If the RSA Counterparty notifies T&SCo in writing pursuant to section 5.4 that it is not satisfied with the evidence of and calculations for any Interim Difference Payment submitted by T&SCo, then section 5.7 shall apply.</p> <p>5.7. T&SCo shall co-operate with the RSA Counterparty to provide any other information that the RSA Counterparty requires for assurance of T&SCo's calculations of the Interim Difference Payment pursuant to section 5.4 and the provisions of sections 5.4 to 5.7 shall continue to apply until the RSA Counterparty (acting reasonably) notifies T&SCo in writing that it is satisfied pursuant to section 5.5.</p>

No.	Item	Commercial Terms
		<p><u>Pro-rating and payment</u></p> <p>5.8. Following notice of satisfaction by the RSA Counterparty pursuant to section 5.5, the RSA Counterparty shall:</p> <ul style="list-style-type: none"> (a) calculate the monthly Interim Difference Payment by applying the Interim Difference Payment on a pro-rata basis in respect of the months in Charging Year_t ("Monthly IDP Amount"); and (b) within 5 Business Days, provide T&SCo with a provisional payment schedule specifying each Monthly IDP Amount in Charging Year_t. <p>5.9. T&SCo shall be entitled to payment of the Monthly IDP Amount by the RSA Counterparty (as adjusted by any Monthly QRP Adjustment), in accordance with section 7 (<i>Monthly billing and payment</i>).</p>
6.	Quarterly Reconciliation Payment	<p>6.1. After the end of each quarter of Charging Year_t, a reconciliation of the Adjusted Forecast Market Revenue for that quarter against the Adjusted Market Revenue for that quarter shall be performed by T&SCo for the purposes of determining the "Quarterly Reconciliation Payment".</p> <p>Note: <i>the Quarterly Reconciliation Payment applies on a quarterly rolling basis in each Charging Year, including in respect of Q4. The reconciliation of the Adjusted Forecast Market Revenue against the Adjusted Market Revenue of T&SCo can therefore be addressed solely through the Quarterly Reconciliation Payment on an ongoing basis without the need for the Annual Difference Payment mechanism, which has been deleted.</i></p> <p><u>Calculation and evidence</u></p> <p>6.2. The Quarterly Reconciliation Payment shall be calculated in accordance with this section 6 (<i>Quarterly Reconciliation Payment</i>) as the amount by which the Adjusted Forecast Market Revenue for the relevant quarter is greater than the Adjusted Market Revenue for the relevant quarter.</p> <p>6.3. T&SCo shall submit to the RSA Counterparty its evidence of and calculations for the Quarterly Reconciliation Payment, within 10 Business Days following the Invoice Due Date for the final month in Quarter_t.</p> <p>6.4. The evidence and calculations provided by T&SCo pursuant to section 6.3 shall include, as a minimum, the following in respect of each Quarterly Reconciliation Payment:</p>

No.	Item	Commercial Terms
		<p>(a) the methodology and input data used by T&SCo to calculate the relevant Quarterly Reconciliation Payment;</p> <p>(b) evidence of review, assurance or confirmation by the Regulator in relation to amounts required for the Quarterly Reconciliation Payment in accordance with section 10 (<i>Regulator review, assurance or confirmation</i>); and</p> <p>(c) a certificate signed by a director or authorised signatory of T&SCo, certifying that the information provided to the RSA Counterparty pursuant to section 6.3 is true, complete and accurate.</p> <p><u>Assurance by the RSA Counterparty</u></p> <p>6.5. Following receipt by the RSA Counterparty of the evidence of and calculations for the Quarterly Reconciliation Payment in accordance with sections 6.3 and 6.4, the RSA Counterparty shall review such evidence and calculations and notify T&SCo in writing whether or not the RSA Counterparty is satisfied with the Quarterly Reconciliation Payment provided by T&SCo, within 20 Business Days of receipt of the evidence and calculations pursuant to sections 6.3 and 6.4.</p> <p>6.6. If the RSA Counterparty notifies T&SCo in writing pursuant to section 6.5 that it is satisfied with the evidence of and calculations for the Quarterly Reconciliation Payment submitted by T&SCo, then the pro-rata calculation shall be carried out by the RSA Counterparty pursuant to section 6.9.</p> <p>6.7. If the RSA Counterparty notifies T&SCo in writing pursuant to section 6.5 that it is not satisfied with the evidence of and calculations for any Quarterly Reconciliation Payment submitted by T&SCo, then section 6.8 shall apply.</p> <p>6.8. T&SCo shall co-operate with the RSA Counterparty to provide any other information that the RSA Counterparty requires for assurance of T&SCo's calculations of the Quarterly Reconciliation Payment pursuant to section 6.5 and the provisions of sections 6.5 to 6.8 shall continue to apply until the RSA Counterparty (acting reasonably) notifies T&SCo in writing that it is satisfied pursuant to section 6.6.</p> <p><u>Pro-rating and payment</u></p> <p>6.9. Following notice of satisfaction by the RSA Counterparty pursuant to section 6.6, the RSA Counterparty shall:</p>

No.	Item	Commercial Terms
		<p>(a) pro-rate the Quarterly Reconciliation Payment for Quarter_t over the three months of Quarter_{t+2} (the "Monthly QRP Adjustment"); and</p> <p>(b) within 5 Business Days, provide T&SCo with an updated provisional payment schedule specifying each Monthly QRP Adjustment to be applied in Quarter_{t+2}.</p> <p>6.10. The Monthly QRP Adjustment (positive or negative) shall be applied as an adjustment to the Monthly IDP Amount in accordance with section 7 (<i>Monthly billing and payment</i>).</p>
7.	Monthly billing and payment	<p>7.1. Within 5 Business Days of the end of Month_t, the RSA Counterparty shall deliver a billing statement to T&SCo for Month_t (in accordance with the RSA Counterparty's billing statement requirements), setting out:</p> <p>(a) the Monthly IDP Amount calculated in accordance with section 5 (<i>Interim Difference Payment</i>); and</p> <p>(b) any positive or negative Monthly QRP Adjustment calculated in accordance with section 6 (<i>Quarterly Reconciliation Payment</i>).</p> <p>7.2. The RSA Counterparty shall pay the net amount of the Monthly IDP Amount and any positive or negative Monthly QRP Adjustment within 5 Business Days of delivering the billing statement pursuant to section 7.1.</p> <p>7.3. Where in Month_t the Monthly IDP Amount is less than any negative Monthly QRP Adjustment applied (i.e. the payment in respect of Month_t pursuant to section 7.2 is net negative), the difference between these amounts shall be addressed through reference to the annual iteration process administered by the Regulator pursuant to condition H16.1(b) of the Licence.</p>
8.	Revenue support prior to operations	<p>8.1. Where there is delay to COD beyond the Scheduled COD, (excluding any extension arising from condition G2.7 of the Licence) and in the context of such delay T&SCo has provided to the RSA Counterparty a copy of a confirmation from the Regulator under condition F5.2(a) of the Licence that an Event of First User Delay has occurred (or has previously occurred and is continuing) revenue support will be provided by the RSA Counterparty to T&SCo:</p> <p>(a) in respect of each month (or part month as applicable) during the period from the later of (A) the date by which T&SCo provided all evidence required by the Regulator pursuant to condition F4 of the Licence; and (B) the date of Scheduled COD, until the earlier of (aa) twelve (12) months; and (bb) expiry of the period of delay arising from the Event of First User Delay, for amounts accrued</p>

No.	Item	Commercial Terms
		<p>by T&SCo in respect of Unavoidable Opex which shall be based on actual operating costs evidenced by T&SCo to the RSA Counterparty;</p> <p>(b) in respect of each month (or part month as applicable) during the period from the expiry of the twelve (12) month period referred to in paragraph (a) above, but only whilst the period of delay arising from the Event of First User Delay has not yet expired, for amounts accrued by T&SCo in respect of:</p> <ul style="list-style-type: none"> (i) Unavoidable Opex evidenced by T&SCo to the RSA Counterparty; (ii) allowed cost of debt and equity which shall be based on the assumed debt and equity elements of the WACC; and (iii) allowed cost of depreciation which shall be based on the depreciation building block, <p>(each a "Pre-operations Difference Payment").</p> <p>Note: <i>this remains under review in the context of T&SCo's financing proposals.</i></p> <p>8.2. T&SCo shall liaise with the first User pursuant to the Construction Agreement and shall use reasonable endeavours to mitigate First User Delay.</p> <p><u>Calculation and evidence</u></p> <p>8.3. Where an Event of First User Delay occurs, T&SCo shall provide evidence of entitlement to, and calculations for any Pre-operations Difference Payment to the RSA Counterparty within 10 Business Days following the end of Month_t.</p> <p>8.4. The evidence and calculations provided by T&SCo pursuant to section 8.3 shall include, as a minimum, the following in respect of the Pre-operations Difference Payment:</p> <ul style="list-style-type: none"> (a) a copy of a confirmation from the Regulator under condition F5.2(a) of the Licence that an Event of First User Delay has occurred (or has previously occurred and is continuing); (b) the methodology and input data used by T&SCo to calculate the Pre-operations Difference Payment; and (c) evidence of review, assurance or confirmation by the Regulator in relation to amounts required for the Pre-operations Difference Payment in accordance with

No.	Item	Commercial Terms
		<p>section 10 (<i>Regulator review, assurance or confirmation</i>); and</p> <p>(d) a certificate signed by a director or authorised signatory of T&SCo, certifying that the information provided to the RSA Counterparty is true, complete and accurate.</p> <p><u>Assurance by the RSA Counterparty</u></p> <p>8.5. Following receipt by the RSA Counterparty of the evidence of and calculations for the Pre-operations Difference Payment pursuant to sections 8.3 and 8.4, the RSA Counterparty shall review such evidence and calculations and notify T&SCo in writing whether or not the RSA Counterparty is satisfied with the Pre-operations Difference Payment provided by T&SCo within 20 Business Days following receipt of the evidence and calculations pursuant to sections 8.3 and 8.4.</p> <p>8.6. If the RSA Counterparty notifies T&SCo in writing pursuant to section 8.5 that it is satisfied with the evidence of and calculations for the Pre-operations Difference Payment, then the RSA Counterparty shall pay any Pre-operations Difference Payment that it is obliged to pay to T&SCo in accordance with sections 8.9 and 8.10.</p> <p>8.7. If the RSA Counterparty notifies T&SCo in writing pursuant to section 8.5 that it is not satisfied with any of the evidence of and calculations for any Pre-operations Difference Payment, then section 8.8 shall apply.</p> <p>8.8. T&SCo shall co-operate with the RSA Counterparty to provide any other information that the RSA Counterparty requires for assurance of T&SCo's calculations of the Pre-operations Difference Payment pursuant to section 8.5 and the provisions of sections 8.5 to 8.8 shall continue to apply until the RSA Counterparty (acting reasonably) notifies T&SCo in writing that it is satisfied pursuant to section 8.6.</p> <p><u>Payment</u></p> <p>8.9. Within 20 Business Days following the notice of satisfaction by the RSA Counterparty pursuant to section 8.6, the RSA Counterparty shall deliver a billing statement to T&SCo (in accordance with the RSA Counterparty's billing statement requirements) in respect of any Pre-operations Difference Payment for Month_t.</p> <p>8.10. Within 5 Business Days following the delivery of the billing statement by the RSA Counterparty pursuant to section</p>

No.	Item	Commercial Terms
		8.9, the RSA Counterparty shall pay any Pre-operations Difference Payment to T&SCo.
9.	RSA expiry reconciliation	<p>9.1. T&SCo shall notify the RSA Counterparty immediately upon:</p> <ul style="list-style-type: none"> (a) any revocation notice being issued by the Regulator under the Licence; or (b) any Discontinuation Notice being issued by the SoS under the Discontinuation Agreement. <p><u>Calculation and evidence</u></p> <p>9.2. Within 10 Business Days following expiry of the RSA pursuant to section 3 (<i>Term</i>), T&SCo shall provide the RSA Counterparty with evidence and calculations, in accordance with this section 9 (<i>RSA expiry reconciliation</i>), of any pro-rata Difference Payments that are due and payable under the RSA to be accounted for up to and including the date of expiry of the RSA.</p> <p>9.3. The evidence and calculations provided by T&SCo pursuant to section 9.2 shall include, as a minimum, the following in respect of each pro-rata Difference Payment:</p> <ul style="list-style-type: none"> (a) the methodology and input data used by T&SCo to calculate the relevant pro-rata Difference Payment; (b) evidence of review, assurance or confirmation by the Regulator in relation to amounts required for each pro-rata Difference Payment in accordance with section 10 (<i>Regulator review, assurance or confirmation</i>); and (c) a certificate signed by a director or authorised signatory of T&SCo, certifying that the information provided to the RSA Counterparty pursuant to section 9.2 is true, complete and accurate. <p><u>Assurance by the RSA Counterparty</u></p> <p>9.4. Following receipt by the RSA Counterparty of the evidence of and calculations for any pro-rata Difference Payments in accordance with sections 9.2 and 9.3, the RSA Counterparty shall review such evidence and calculations and notify T&SCo in writing whether or not the RSA Counterparty is satisfied with the pro-rata Difference Payments provided by T&SCo within 20 Business Days following receipt of the evidence and calculations pursuant to sections 9.2 and 9.3.</p> <p>9.5. If the RSA Counterparty notifies T&SCo in writing pursuant to section 9.4 that it is satisfied with the evidence of and</p>

No.	Item	Commercial Terms
		<p>calculations for any pro-rata Difference Payments, then the RSA Counterparty or T&SCo (as the case may be) shall pay any such pro-rata Difference Payments that it is obliged to pay in accordance with sections 9.8 to 9.10.</p> <p>9.6. If the RSA Counterparty notifies T&SCo in writing pursuant to section 9.4 that it is not satisfied with any of the evidence of and calculations for any pro-rata Difference Payments pursuant to section 9.4, then section 9.7 shall apply.</p> <p>9.7. T&SCo shall co-operate with the RSA Counterparty to provide any other information that the RSA Counterparty requires for assurance by the RSA Counterparty of T&SCo's calculations of any pro-rata Difference Payments pursuant to section 9.4 and the provisions of sections 9.4 to 9.7 shall continue to apply until the RSA Counterparty (acting reasonably) notifies T&SCo in writing that it is satisfied pursuant to section 9.5.</p> <p><u>Payment</u></p> <p>9.8. Within 20 Business Days following the notice of satisfaction by the RSA Counterparty pursuant to section 9.5, the RSA Counterparty shall deliver a billing statement to T&SCo (in accordance with the RSA Counterparty's billing statement requirements) in respect of any applicable pro-rata Difference Payments due and payable.</p> <p>9.9. Where any applicable pro-rata Difference Payment calculated under this section 9 (<i>RSA expiry reconciliation</i>) is:</p> <p>(a) positive (i.e. there is a revenue collection shortfall by T&SCo), the RSA Counterparty shall pay the difference to T&SCo within 5 Business Days following the delivery of the billing statement by the RSA Counterparty pursuant to section 9.8; or</p> <p>(b) negative (i.e. there is a revenue collection surplus by T&SCo), T&SCo shall pay the difference to the RSA Counterparty within 5 Business Days following the delivery of the billing statement by the RSA Counterparty pursuant to section 9.8 and in accordance with section 9.10.</p> <p>9.10. Any payments that are required to be paid by T&SCo to the RSA Counterparty pursuant to this section 9 (<i>RSA expiry reconciliation</i>) shall be paid by T&SCo to a bank account nominated in writing by the RSA Counterparty to T&SCo from time to time.</p>

No.	Item	Commercial Terms
10.	Evidence of Regulator review, assurance or confirmation	<p>10.1. Prior to any Difference Payment being paid to T&SCo by the RSA Counterparty, T&SCo shall be required to provide the RSA Counterparty with evidence of Regulator review and assurance or confirmation of such amounts (as applicable) against information that has otherwise been provided by T&SCo to the Regulator pursuant to the Licence or the CCS Network Code:</p> <ul style="list-style-type: none"> (a) the Allowed Revenue; (b) the Adjusted Allowed Revenue; (c) the Market Revenue; (d) the Adjusted Market Revenue; (e) the Adjusted Forecast Market Revenue; and (f) the Forecast Market Revenue.
11.	RSA Counterparty payment obligation and undertakings	<p>11.1. The RSA Counterparty's obligation to make payments to T&SCo only arises once the RSA Counterparty has itself been funded and its obligation only extends to the funds which have been paid to it (i.e. the RSA Counterparty pays T&SCo if it has been paid and would not be required to make up any shortfall).</p> <p>11.2. The Revenue Support Agreement will include undertakings in respect of the RSA Counterparty's obligation to enforce its rights of recovery to ensure it is in sufficient funds to meet its liabilities to T&SCo.</p> <p>Note: <i>the obligations on the RSA Counterparty to pursue its rights of recovery are under development.</i></p>
12.	RSA Counterparty right to request further information	<p>12.1. The RSA Counterparty shall have the right to request further information from T&SCo during the term of the Revenue Support Agreement, to the extent such information is required by the RSA Counterparty for:</p> <ul style="list-style-type: none"> (a) the satisfaction of any know your customer checks (or equivalent) following the satisfaction of any initial conditions precedent pursuant to section 4 (<i>Conditions precedent</i>); (b) the discharge of the RSA Counterparty's statutory and/or regulatory obligations; or (c) the discharge of any of the RSA Counterparty's obligations under the Revenue Support Agreement,

No.	Item	Commercial Terms
		and T&SCo shall promptly comply with any such information request made by the RSA Counterparty.
13.	Representations, warranties and undertakings	13.1. Each of T&SCo and the RSA Counterparty shall make standard representations and warranties.
14.	Limitation of liability	14.1. The RSA Counterparty shall exclude liability for any special, indirect or consequential loss including any such loss which constitutes loss of use, loss of goodwill, loss of profit or loss of revenue, provided that this shall not exclude liability for express payment obligations under the Revenue Support Agreement.
15.	Payment disruption	<p>15.1. Subject to section 15.2, the RSA Counterparty shall be relieved from liability to pay T&SCo, and deemed not to be in breach of the Revenue Support Agreement, to the extent that, and for so long as, the RSA Counterparty is suffering a material disruption to those payment systems or financial markets which are required to operate in order for payments or transfers of money to be made pursuant to the Revenue Support Agreement which the RSA Counterparty could not reasonably have overcome and which are not due to the RSA Counterparty's fault or negligence (a "Payment Disruption Event").</p> <p>15.2. Where a Payment Disruption Event occurs, the RSA Counterparty shall:</p> <ul style="list-style-type: none"> (a) give notice to T&SCo as soon as reasonably practicable of the nature and extent of the Payment Disruption Event; (b) use reasonable endeavours to mitigate the effects of the Payment Disruption Event; (c) use reasonable endeavours to carry out and perform its obligations under the RSA in any way that is reasonably practicable for the RSA Counterparty to do so; and (d) use reasonable endeavours to pay any sums to T&SCo that are due and payable under the RSA in accordance with its terms immediately upon cessation of the Payment Disruption Event.
16.	Transfers	<p>16.1. The Revenue Support Agreement shall benefit and bind the Parties, their permitted assignees and respective successors and any reference in the Revenue Support Agreement to any party shall be construed accordingly.</p> <p>16.2. The Revenue Support Agreement will include restrictions on the assignment and/or transfer by T&SCo of any of its</p>

No.	Item	Commercial Terms
		rights or obligations under the Revenue Support Agreement (in whole or in part) without the prior written consent of the RSA Counterparty (such consent not to be unreasonably withheld or delayed), save that T&SCo will be permitted to create a security assignment in favour of its secured creditors (and the RSA Counterparty will assist in facilitating this, provided that all costs and expenses properly incurred by the RSA Counterparty in giving effect to such assignment are paid by T&SCo).
17.	Survivorship	17.1. Following the expiry of the Revenue Support Agreement, each Party shall cease to have rights or obligations under the Revenue Support Agreement, save that in relation to (i) any legacy Difference Payments and/or (ii) pro-rata Difference Payments pursuant to section 9 (<i>RSA expiry reconciliation</i>), the provisions of sections 5 (<i>Interim Difference Payment</i>), 6 (<i>Quarterly Reconciliation Payment</i>), 7 (<i>Monthly billing and payment</i>), 8 (<i>Revenue support prior to operations</i>), 9 (<i>RSA expiry reconciliation</i>), 10 (<i>Regulator review, assurance or confirmation</i>), 11 (<i>RSA Counterparty payment obligation and undertakings</i>), 14 (<i>Limitation of liability</i>), 15 (<i>Payment disruption</i>), 16 (<i>Transfers</i>) and 19 (<i>Definitions</i>) will continue in full force and effect.
18.	Boilerplate	18.1. The Revenue Support Agreement will include "boilerplate provisions" (including, but not limited to, provisions in relation to interpretation, notices, confidentiality, intellectual property, dispute resolution, entire agreement, severability, set-off, third party rights, amendments, counterparts and governing law), which will be broadly based on the equivalent provisions set out in the GSP.
19.	Definitions	<p>In this section B (<i>Revenue Support Agreement</i>), terms defined in the Licence heads of terms shall have the same meaning, and:</p> <p>"Adjusted Allowed Revenue" means the Allowed Revenue in the relevant Charging Year, other than by way of Flow Charges as calculated under the Charging Methodology in Section H of the CCS Network Code;</p> <p>"Adjusted Market Revenue" means Market Revenue earned and received by T&SCo in the relevant Charging Year, other than by way of Flow Charges;</p> <p>"Adjusted Forecast Market Revenue" means Market Revenue forecast to be earned and received by T&SCo in the relevant Charging Year, other than by way of Flow Charges;</p> <p>"Allowed Revenue" means the allowed revenue as it relates to the Approved T&S Network which T&SCo is entitled to charge in</p>

No.	Item	Commercial Terms
		<p>the relevant Charging Year determined by the Regulator pursuant to and in accordance with the Licence from time to time;</p> <p>"Approved T&S Network" has the meaning given to it in the Licence heads of terms, as at Licence Award;</p> <p>"CCS Network Code" means the document designated as such and required to be maintained by the Licensee under the Licence;</p> <p>"Charges" has the meaning given in the CCS Network Code, as such Charges relate to the Approved T&S Network;</p> <p>"Charging Year" means a calendar year commencing on 1 April of one calendar year and ending on 31 March of the immediately following calendar year, save that:</p> <ul style="list-style-type: none"> (a) where COD falls part way through a Charging Year, the relevant number of calendar months shall be the number of calendar months (or days) during the Charging Year which fall within the period from COD to 31 March in the relevant year; and (b) where the Revenue Support Agreement expires part way through a Charging Year, the relevant number of calendar months shall be the number of calendar months (or days) during the Charging Year which fall within the period from 1 April to the expiry date in the relevant year; <p>"Charging Year_t" means the Charging Year to which the calculation relates;</p> <p>"COD" has the meaning given to it in the Licence heads of terms;</p> <p>"COD Readiness Activities" has the meaning given to it in the Licence heads of terms;</p> <p>"Construction Agreement" has the meaning given to it in the CCS Network Code;</p> <p>"Difference Payment" means any of the following:</p> <ul style="list-style-type: none"> (a) Interim Difference Payment; (b) Quarterly Reconciliation Payment; (c) Pre-operations Difference Payment; and (d) pro-rata payment pursuant to section 9 (<i>RSA expiry reconciliation</i>);

No.	Item	Commercial Terms
		<p>"Discontinuation" has the meaning given to it in the Discontinuation Agreement heads of terms;</p> <p>"Discontinuation Notice" has the meaning given to it in the Discontinuation Agreement heads of terms;</p> <p>"Event of First User Delay" has the meaning given to it in the Licence heads of terms;</p> <p>"First User Delay" means any delay to COD which is caused by, or shall be caused by, the first User;</p> <p>"Flow Charges" has the meaning given to it in the CCS Network Code;</p> <p>"Forecast Market Revenue" means Market Revenue forecast to be earned and received by T&SCo over a Charging Year;</p> <p>"Interim Difference Payment" means the amount determined pursuant to section 5 (<i>Interim Difference Payment</i>);</p> <p>"Invoice Due Date" has the meaning given to that term in paragraph 10.2 of Section H of the CCS Network Code;</p> <p>"Licence" means the economic licence to be granted under HM Government's CCUS programme;</p> <p>"Market Revenue" means any revenue that relates to the Approved T&S Network, earned and received by T&SCo in respect of the relevant Charging Year from:</p> <ul style="list-style-type: none"> (a) Charges; and (b) any other sources that relate to the Approved T&S Network in accordance with the terms of the Licence, <p>and shall not include any revenue that relates to the Approved T&S Network and that is due and payable to T&SCo in respect of the relevant Charging Year but which has not been received by T&SCo;</p> <p>Note: <i>the Market Revenue will include all revenue of T&SCo, including non-regulated revenue, for example.</i></p> <p>Note: <i>provisions reflecting the following principles are to be incorporated:</i></p> <ul style="list-style-type: none"> (i) <i>T&SCo to be under an obligation to procure asset damage insurance and associated BI insurance to the extent available;</i> (ii) <i>Code to provide for suspension of T&S charges to the extent covered by the BI insurance procured pursuant to the above obligation; and</i>

No.	Item	Commercial Terms
		<p><i>(iii) RSA to treat amounts recoverable under the BI insurance procured pursuant to the above obligation as Market Revenues.</i></p> <p><i>Detailed drafting to be developed, including scoping of procurement obligation and definition of amounts recoverable.</i></p> <p>"Month_t" means the month to which the relevant Difference Payment calculations relate;</p> <p>"Monthly IDP Amount" has the meaning given to in section 5.8;</p> <p>"Monthly QRP Adjustment" has the meaning given to it in section 6.9;</p> <p>"Pre-operations Difference Payment" means the amount determined pursuant to section 8 (<i>Revenue support prior to operations</i>);</p> <p>"Quarter_t" means the quarter to which the relevant Difference Payment calculations relate;</p> <p>"Quarter_{t+2}" means the second quarter following Quarter_t;</p> <p>"Quarterly Reconciliation Payment" has the meaning given to it in section 6 (<i>Quarterly Reconciliation Payment</i>);</p> <p>"Scheduled Commercial Operations Date" has the meaning given to it in the Licence; and</p> <p>"Unavoidable Opex" means Opex which cannot reasonably be mitigated by T&SCo, taking into account the need to maintain an economic, efficient and effective approach to Opex costs not only following an Event of First User Delay but also in reaching COD, including Opex that needs to be incurred in order to maintain the T&S Assets in a state and condition that meets the requirement for COD Readiness whilst an Event of First User Delay is continuing.</p>

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