

14.14.2 A baseline revenue Maximum Allowed Revenue (MAR) defined for these activities and those associated with pre-vesting connections is set by the Authority for the Onshore Transmission Owners revenue at the time of the Onshore Transmission Owners' price control review for the succeeding price control period. The base revenue for an Offshore Transmission Owner is set at the point of the asset transfer of its Offshore Transmission System. Transmission Network Use of System Charges are set to recover the Maximum Allowed Revenue (MAR) as set by the Price Control for Onshore Transmission Owners and the point of asset transfer for Offshore Transmission Owners (where necessary, allowing for any Kt adjustment for under or over recovery in a previous year net of the income recovered through pre-vesting connection charges).

#### **Treatment of additional revenue adjustments associated with unforeseen and unforeseeable events**

- 14.x Each individual Offshore Transmission Licensee's allowed revenue is set at the point of asset transfer based on a forecast of their costs and is set to align with the forecast life of the assets. However, within these relevant periods, Offshore Transmission Licensee revenues can be subject to cost variations associated with unforeseen and unforeseeable events, such as Income Adjusting Events as defined in the Transmission Licence.
- 14.x Any unforeseen and unforeseeable event determined to be an Income Adjusting Event and subsequently approved by the Authority will require an adjustment to be made to the relevant Transmission Licensee's revenues to enable recovery of the approved revenue adjustment values.
- 14.x For Offshore Transmission Owners the total adjustment to an Offshore Transmission Owner's revenue values (positive or negative) due to unforeseen or unforeseeable events such as an Income Adjusting Event in relevant year 't' will be made to the revenue values at the start of the next Onshore Transmission Owner and NGESO price control period (the "Onshore Price Control"). The total approved value from the preceding Onshore Price Control period is averaged over the duration of the next Onshore Price Control period in order to calculate an annual figure for the first charging year of that price control period which is then increased by inflation for each of the other charging years in the Onshore Price Control period. This ensures that any historic differences between the forecast revenue and actual Offshore Transmission Licensee revenue that occurred within the previous price control relating to unforeseen and unforeseeable events can then be recovered.
- 14.x The average annual Income Adjusting Event revenue adjustment value for Offshore Transmission Owners is based on the Authority approved value from the preceding Onshore Price Control period, and is included within the calculation of the non-locational Demand Residual and then subsequently recovered through Transmission Network Use of System (TNUoS) charges and reflected in the Demand Residual Tariff.