

# BUSINESS RULES IV REVENUE RECONCILIATION

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## **1. General**

- 1.1 The TSOs shall have a regulatory account which records under- and over-recovery of allowed revenues to ensure the revenues it is entitled to obtain over a period of time are recovered in a timely manner.
- 1.2 Under a price cap regime, where the terms allowed revenue, under and over-recoveries do not apply, only auction premia, where earned, shall be logged on to the regulatory account or shall be used to reduce physical congestion.
- 1.3 The determination of tariffs shall seek to minimise any gaps between the revenues which the TSO is entitled to obtain on the basis of the applied regulatory regime and the revenues actually obtained by the TSO.
- 1.4 Revenue recovery at interconnection points shall primarily be recouped by means of capacity charges.
- 1.5 Revenue recovery at non-interconnection points may be recouped by the use of alternative methodologies, such as commodity charges, while respecting the principle of avoiding cross subsidies between cross-border and domestic customers.

## **2. Regulatory Account**

- 2.1 There shall be a single regulatory account for the allowed revenue earned from tariffs determined for the transmission services.
- 2.2 In standard cases, the ring-fencing of under and over recoveries for the purposes of reconciling the revenues shall be avoided.
- 2.3 A TSO may have sub-accounts for tracking the over and under recovery with regards to separate types of charges but any over or under recovery from these sub-accounts must be aggregated and reflected in the single regulatory account for reconciliation of that account.
- 2.4 A regulatory account shall record at least the under-recovery of revenue or the over-recovery of revenue, except, in circumstances where incentive mechanisms are in place (in line with 3.2), where the NRA shall decide what proportion of the over-/under-recovery as a result of such mechanisms will be recorded in the regulatory account.

2.5 The regulatory account may also be used to log the differences between the expected costs and the realised costs taking into consideration whether cost-incentive mechanisms apply in the regulatory regime.

2.6 Any difference between the allowed revenue and the collected revenue in the regulatory account shall be reconciled by including the resulting balance in the allowed revenues of the next relevant tariff calculation or in the following regulatory period.

### **3. Under/Over Recovery**

3.1 The difference between the allowed revenues which the TSO is entitled to obtain on the basis of the applied regulatory regime and the revenues actually obtained by the TSO during the same period of time which will lead to an under recovery or an over recovery of revenue unless the allowed revenue equals the revenues actually obtained and there is no difference.

3.2 Where incentive mechanisms are in place, the NRA shall decide what percentage of the over-/under-recovery will be logged to the regulatory account and what percentage will be met / retained by the TSO.

3.3 The NRA shall decide whether a specific account for any over-recovery resulting from the earned auction premia will be used to reduce physical congestion.

3.4 A flow-based charge, expressed in monetary terms or in kind, may be used to recover the costs that are mainly driven by the volume actually flowed, as set out in 8.2 of the business rules on cost allocation and determination of the reference price (chapter 3).

3.5 Where a flow based charge related to volume is applied, it shall be levied equally for all entry points and/or equally for all exit points based on the actual flows of individual network users, as set out in 8.3 of the business rules on cost allocation and determination of the reference price (chapter 3).

3.6 Where a flow-based charge is used to recover revenue at entry and exit points, the NRA may decide that the associated under-/over-recovery is to be covered by making ex-post changes to this charge.

3.7 At non-interconnection points alternative charges may be used to reconcile the revenues as set out in 8.4 and 8.5 of the business rules on cost allocation and determination of the reference price (chapter 3).

### **4. Reconciliation**

4.1 The NRA shall determine and/or approve the frequency with which the regulatory account shall be reconciled.

- 4.2 The NRA shall determine and/or approve the permissible timescale allowed for TSOs to reconcile the regulatory account.
- 4.3 Any under/over recovery by the TSO to be redistributed back to network users shall be allocated to every entry or exit point in accordance with the chosen cost allocation methodology, except potentially in the case of over recovery due to auction premia or where the NRA approves the use of over recovery for the purpose of reducing congestion.
- 4.4 The reconciliation of the regulatory account shall lead to an adjustment of the capacity reference price. Where a TSO decides to use an alternative methodology to recovery the revenue at non-CAM points then the reconciliation of the regulatory account may lead to an adjustment of the capacity reference price and the application of an alternative non-capacity based charge.
- 4.5 For systems where there are a limited number of points, the NRA may consider alternative methods of reconciling the regulatory account.

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