

National Grid Electricity System Operator Limited

Electricity transmission licence

Special Conditions

We have included the sections of the licence conditions we propose to remove or amend as well as those that are relevant to our amendments below. Deletions are shown in strike through and new text is shown in red and underlined.

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Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

1.1.1 The purpose of this condition is to provide for the special conditions of this licence:

- (a) some provisions of general interpretation; and
- (b) the meaning of the defined terms, which are capitalised throughout the special conditions.

Part A: Interpretation

1.1.2 Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

1.1.3 A positive or negative numerical notation indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before.

1.1.4 In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those Conditions.

1.1.5 Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

1.1.6 Any reference in these special conditions to:

- (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity transmission licences;
 - (c) a provision of the standard conditions of electricity supply licences;
 - (d) a provision of the standard conditions of electricity distribution licences;
 - (e) a provision of the standard conditions of electricity generation licences; or
 - (f) a provision of the standard conditions of electricity interconnector licences
- must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.

1.1.7 Any reference in these special conditions to a numbered appendix is, unless otherwise stated, to the relevant numbered appendix to that special condition.

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, on or after 1 April 2021.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ESO Price Control Financial Model 'Input' sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ESO Price Control Financial Model will convert these values in accordance with Part E of Special Condition 4.1 (System Operator Internal Revenue Restriction), so that the component terms of Calculated Revenue are in a 2018/19 price base.

Part B: Definitions

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ESO Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) the STC;
 - (e) the System Operator - Transmission Owner Code;
 - (f) the Grid Code;

- (g) the CUSC;
- (h) the Fuel Security Code or
- (i) an Associated Document

the defined term is to have the meaning given in that provision or document as amended from time to time.

the Act	means the Electricity Act 1989.
Actual Corporation Tax Liability	means the value as shown in the licensee's company tax return (CT600) as submitted to Her Majesty's Revenue and Customs, relating to the licensee.
Affiliate	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Allowed Security Costs	has the meaning given to the term in the Fuel Security Code.
Annual Average Cold Spell Conditions	has the meaning given to the term in the Grid Code.
Annual Iteration Process	means in relation to the ESO Price Control Financial Model, the process set out in Special Condition 5.2 (Annual Iteration Process for the ESO Price Control Financial Model), which is to be read and given effect subject to any further explanation or elaboration within the ESO Price Control Financial Handbook that may be applicable to it.
Annual Report	means a report of that name produced by the licensee in accordance with Part E of Special Condition 2.2 (Black Start Strategy and Procurement Methodology).
Appropriate Auditor	means: <ul style="list-style-type: none"> (a) in the case of a licensee which is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act; (b) in the case of any other licensee which is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to Chapter 2 of Part 16 of the Companies Act 2006, a person so appointed; and (c) in any other case, a person who is eligible for appointment as a company auditor under sections 1212 and 1216 of the Companies Act 2006.
Appropriately Qualified Independent Examiner	means a qualified tax accountant from a firm regulated by a relevant professional body, who may be an employee of the licensee's Appropriate Auditors.

Associate	means: (a) an Affiliate or Related Undertaking of the licensee; (b) an Ultimate Controller (as defined in standard condition A1 (Definitions and interpretation)) of the licensee; (c) a Participating Owner of the licensee; or (d) a Common Control Company.
Associated Document	means a document issued and amended by the Authority by direction in accordance with the special conditions of this licence and any reference to an Associated Document is to that document as amended from time to time unless otherwise specified.
the Authority	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Authority's Website	means www.ofgem.gov.uk .
Bad Debt	means the expense incurred by the licensee when Transmission Network Charges related charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Balancing Mechanism	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).
<u>Balancing Services</u>	<u>has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).</u>
Balancing Services Activity	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).
Between	in the context of something being done, or occurring, between two dates, means on or after the first date and on or before the second date.
Black Start	has the meaning given to that term in the Grid Code.
Black Start Capability	has the meaning given to that term in the Grid Code.
Black Start Procurement Methodology	means a document of that name produced by the licensee in accordance with Part B of Special Condition 2.2 (Black Start Strategy and Procurement Methodology).
Black Start Strategy	means a document of that name produced by the licensee in accordance with Part A of Special Condition

	2.2 (Black Start Strategy and Procurement Methodology).
Board	means the licensee’s board of directors.
BSC	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).
Business Plan	means the plan established and published under Part B of Special Condition 4.3 (Electricity System Operator Reporting and Incentive Arrangements).
Business Plan Cycle	means the period for which the Business Plan is applicable with the first period commencing on 1 April 2021 and ending on 31 March 2023.
Business Plan Guidance Document	means a document developed and published by the Authority in accordance with Part B of Special Condition 4.3 (Electricity System Operator Reporting and Incentive Arrangements).
Calculated Revenue	has the value given to it in paragraph 4.1.5 of Special Condition 4.1 (System Operator Internal Revenue Restriction).
Calculated Tax Allowance	means the value of the TAX _t term as set out in sheet <i>SystemOperator</i> of the ESO Price Control Financial Model.
Capacity Market (“CM”)	means the scheme established by the Electricity Capacity Regulations 2014 (as amended) and the Capacity Market Rules (as amended) to which the licensee is the nominated delivery body.
Carry-over Network Innovation Allowance	means the allowance provided by Special Condition 4.7 (Carry-over Network Innovation Allowance) to extend the RIIO-1 Network Innovation Allowance for an additional Regulatory Year.
Commercial Operational Services	means a service provided to the licensee by Transmission Owners or any successor company to each with the purpose of lowering the overall costs associated with the procurement and use of balancing services by the licensee above these parties obligations under the licence or the STC.
Compliance Certificate	means a certificate certifying that, to the best knowledge, information and belief of the sufficiently independent director chair of the Compliance Committee, having made due and careful enquiry, the report of the Compliance Officer fairly represents the

	licensee's compliance with the specified business separation duties.
Compliance Committee	means a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer set out in paragraph 2.3.27 and the compliance of the licensee with its specified business separation duties.
Compliance Officer	means a competent person appointed for the purpose of facilitating compliance by the licensee with the obligations pursuant to Special Condition 2.3 (Business Separation requirements and compliance obligations), Standard Condition B5 (Prohibition of Cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 2.6 (Prohibited Activities and Conduct of the Transmission Business).
Compliance Report	means a report produced in accordance with paragraphs 2.3.28 and 2.3.29 of Special Condition 2.3 (Business Separation requirements and compliance obligations).
Compliance Statement	means a statement describing the practices, procedures and systems by which the licensee will secure compliance with the specified business separation duties, as defined in paragraph 2.3.20 of Special Condition 2.3 (Business Separation requirements and compliance obligations).
Confidential EMR Administrative Information	means Confidential EMR Information disclosed to or acquired by the licensee by virtue of its role in performing EMR Administrative Functions.
Confidential EMR Delivery Plan Information	means Confidential EMR Information which comprises either: <ul style="list-style-type: none"> (a) information on the costs of low carbon electricity generation technologies; or (b) information, the unauthorised disclosure of which would be adverse to the commercial interests of the Information provider, in each case, where such information is: <ul style="list-style-type: none"> (i) disclosed to or acquired by the licensee by virtue of its role in performing EMR Data Handling Functions; and (ii) specific to an individual energy industry participant, plant, facility, generating station or generation set, or the owner or operator thereof.

Confidential EMR Information	means all information disclosed to or acquired in any way (and whether directly or indirectly) by the licensee or any of its agents or representatives by virtue of the performance of EMR Functions by the licensee, but excluding: (a) all information that is in or has entered the public domain otherwise than as a direct or indirect consequence of any breach of this licence; (b) all information which the licensee can demonstrate was lawfully in its written records prior to the date of disclosure of the same by the owner of the Confidential EMR Information or which it received from a third party independently entitled to disclose it; and (c) all information properly received in the usual course of the licensee’s activities pursuant to paragraphs (a) to (c) of the definition of Permitted Purpose in Standard Condition A1 (Definitions and interpretation).
Consumer Prices Index Including Owner Occupiers' Housing Costs	means the monthly values of the “CPIH All Items”, series ID “L522”, published by the Office for National Statistics (or any other public body acquiring its functions).
Contracts for Difference	means a contract for difference under Chapter 2 of Part 2 of the Energy Act to which the licensee is the nominated delivery body.
COVID-19 Bad Debt	means Bad Debt owed to the licensee by one or more COVID-19 Defaulting Electricity Supplier.
COVID-19 Defaulting Electricity Supplier	means an Electricity Supplier who participated in the COVID-19 Scheme and whose insolvency has resulted in the licensee incurring Bad Debt. The timing and meaning of insolvency is as per the Insolvency Act 1986.
COVID-19 Scheme	means the scheme set out in the document with the title “Transmission Operators’ (“TOS”) Covid-19 Optional Transmission Network Use of System Charges Extended Payment Terms Scheme (the “Scheme”)”, published on the Electricity Network Association’s website.
Covid Support Scheme	has the meaning given to that term in accordance with section 14 of the CUSC.
CUSC	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).

Customer	for the purposes of Special Condition 2.1 (EMR Arrangements) means any Stakeholder who pays the licensee through network charges or fees.
Customer and Stakeholder Satisfaction Survey	means an annual survey of Customers and Stakeholders conducted under Special Condition 2.1 (EMR Arrangements) to assess Customer and Stakeholder satisfaction with its Capacity Market 'CM' and Contracts for Different 'Cfd' activities.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of Special Condition 2.11 (Digitalisation).
Defaulting Connection and Use of System Code Party	means a party to the CUSC which has failed to make payments to the licensee in accordance with the requirements of that code.
Demand Side Response	means a commitment by a person to provide an amount of electricity capacity by either reducing the import of electricity or exporting electricity generated (as more fully defined in the Electricity Capacity Regulations 2014).
De Minimis Business	has the meaning given to that term in Standard Condition B6 (Restriction on Activity and Financial Ring Fencing).
Developer Capacity	has the meaning given to that term in the CUSC.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 2.11 (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 2.11 (Digitalisation).
Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees), that have not been otherwise funded through Transmission Network Charges or services under Special Condition 8B (Services treated as Excluded Services) of this licence as in force on 31 March 2021 or the NIC Funding Mechanism.
Directly Remunerated Services	has the meaning given to that term in Part A of Special Condition 2.9 (Services treated as Directly Remunerated Services).

Disallowed Expenditure	means revenue received (whether by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees) under the NIC Funding Mechanism, that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Special Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under Special Condition 2.10 (Disapplication of Relevant Special Conditions) that terminates the application of the Relevant Special Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under Special Condition 2.10 (Disapplication of Relevant Special Conditions) to consent to the disapplication of the Relevant Special Conditions (in whole or in part).
Distribution Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of Special Condition 2.11 (Digitalisation).
Dual Fuel Activities	means those activities which are conducted by the licensee in conjunction with National Grid Gas plc (company number 2006000) (and its successors in title) in its role as gas system operator in order to be delivered in a manner that provides a single combined view of energy security, insights or coordination into the interactions between the gas and electricity sectors, and where such activities add value for energy consumers.
Dual Fuel Roles	means those employment roles which are engaged in Dual Fuel Activities and which are specified as such in the Compliance Statement established under Part D of Special Condition 2.3 (Business Separation requirements and compliance obligations)
Electricity Capacity Report	means the report prepared by the licensee and defined in Regulation 7 of the Electricity Capacity Regulations 2014.
Electricity Distribution Licensee	means the holder of a licence granted or treated as granted under section 6(1)(c) of the Act.

<u>Electricity Licensee</u>	<u>has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).</u>
Electricity Supplier	means the holder of a supply licence granted or treated as granted under section 6(1)(d) of the Act.
<u>Electricity System Restoration</u>	<u>means the procedure used to restore power in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code) of the national electricity transmission system.</u>
<u>Electricity System Restoration Assurance Framework</u>	<u>means an assurance framework prepared by the licensee for approval by the Authority containing, at a minimum, the information provided for under paragraph 2.2.9 (a)-(d) of Special Condition 2.2.</u>
<u>Electricity System Restoration Model</u>	<u>means the model used by the licensee to assess the capabilities of the electricity system and provide a range of credible Restoration Times.</u>
<u>Electricity System Restoration Standard</u>	<u>means the target Restoration Time(s) that the Secretary of State directs the licensee to have the capability to meet.</u>
Eligible CNIA	means the amount of expenditure spent or accrued by the licensee in respect of Eligible CNIA Projects.
Eligible CNIA Internal Expenditure	means the amount of Eligible CNIA spent or accrued on the internal resources of the licensee.
Eligible CNIA Projects	means RIIO-1 Network Innovation Allowance projects on which work commenced prior to 31 March 2021, pursuant to the requirements of the RIIO-1 NIA Governance Document.
Eligible NIC Project	means a project undertaken by the licensee or any other Transmission Licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.

Embedded Transmission System	means a transmission system consisting of plant and equipment that includes relevant offshore lines which forms part of the National Electricity Transmission System by utilising a connection to an electricity distribution system.
EMR	means Electricity Market Reform.
EMR Administrative Functions	means any functions conferred on the licensee by or by virtue of: <ul style="list-style-type: none"> (a) the Electricity Capacity Regulations 2014, other than Part 3; (b) any capacity market rules made by the Secretary of State pursuant to section 34(1) of the Energy Act and any capacity rules made by the Authority pursuant to section 34(3) of the Energy Act; (c) the Contracts for Difference (Allocation) Regulations 2014; and (d) any allocation framework made by the Secretary of State pursuant to section 13(2)(a) of the Energy Act.
EMR Administrative Team	means the team established or to be established by the licensee in accordance with paragraph 2.4.9 of Special Condition 2.4 (Electricity Market Reform).
EMR Compliance Officer	means a competent person appointed for the purpose of facilitating compliance by the licensee with the EMR Relevant Duties.
EMR Compliance Statement	means a statement describing the practices, procedures and systems by which the licensee will secure compliance with the EMR Relevant Duties.
EMR Data Handling Functions	means the data anonymisation and data aggregation functions which shall be performed in order to achieve the objective specified in paragraph 2.4.6(a) of Special Condition 2.4 (Electricity Market Reform).

EMR Data Handling Team	means the team established or to be established by the licensee in accordance with paragraph 2.4.5 of Special Condition 2.4 (Electricity Market Reform).
EMR Delivery Body Performance Report	means the report prepared by the licensee and as defined in Regulation 83 of the Electricity Capacity Regulations 2014.
EMR Functions	has the meaning given to that term in in Chapter 5 of Part 2 of the Energy Act.
EMR Relevant Duties	means the licensee's obligations pursuant to Special Condition 2.4 of Special Condition 2.4 (Electricity Market Reform).
Energy Act	means the Energy Act 2013.
Energy System Data	means facts and statistics collected together that describe the energy system (current, historic and forecast), including: the presence and state of infrastructure, its operation, associated market agreements and their operations, policy and regulation.
ESO Performance Panel	means a panel established by the Authority to make recommendations to the Authority on the performance of the licensee in a Business Plan Cycle.
ESO Price Control Financial Handbook	means the document of that name that was first published by the Authority to come into effect on 1 April 2021 and includes specific information and advice about the operation of the Annual Iteration Process and the ESO Price Control Financial Model, as modified from time to time in accordance with the provisions of Special Condition 5.1 (Governance of the ESO Price Control Financial Instruments).
ESO Price Control Financial Instrument	means the ESO Price Control Financial Handbook and the ESO Price Control Financial Model.
ESO Price Control Financial Model	means the model of that name (with a suffix referring to the month of November in Regulatory Year t-1) that was first published by the Authority to come into effect on 1 April 2021; (a) that is represented by a workbook in Microsoft Excel® format maintained under that name (with a Regulatory Year suffix) on the Authority's Website; and (b) that the Authority will use to determine the value of the term SOIAR _t through the application of the Annual Iteration Process as modified from time to time in accordance with the provisions of Special Condition 5.1 (Governance of the ESO Price Control Financial Instruments).

ESO Price Control Financial Model Working Group	means the working group identified in and whose terms of reference are set out in Chapter 2 of the ESO Price Control Financial Handbook.
ESORI Arrangements Guidance Document	means a document developed and published by the Authority in accordance with Part C of Special Condition 4.3 (Electricity System Operator Reporting and Incentive Arrangements).
Expenses Policy	means the policy described in Part C of Special Condition 2.14 (Remuneration Policy and Expenses Policy).
External costs of the Balancing Services Activity Revenue	means the revenue calculated in accordance with the formula set out in Part A of Special Condition 4.2 (Balancing Services Activity Revenue Restriction on External Costs).
Feasibility Studies	means work undertaken by the licensee and any potential New Provider in order to assess the ability of the potential New Provider to provide Black Start services.
Fuel Security Code	has the meaning given to that term in Standard Licence Condition A1 (Definitions and interpretation).
Funding Return	means the total amount (in respect of the licensee and other electricity Transmission Licensees and Electricity Distribution Licensees) of any amounts arising under paragraph 3.3.4 of Special Condition 3.3 (RIIO-1 Network Innovation Competition).
Funding Return Mechanism	means the mechanism that provides for the recovery from the licensee and from other Electricity Transmission Licensees and Electricity Distribution Licensees, in each case to such extent (if any) as may be relevant, of: (a) Halted Project Revenues; (b) Disallowed Expenditure; (c) Returned Royalty Income; and (d) Returned Project Revenues.
Grid Code	has the meaning given to that term in Standard Licence Condition A1 (Definitions and interpretation).
Halted Project Revenues	means revenues received (whether by the licensee or by any other Transmission Licensee and Electricity Distribution Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted, in accordance with the applicable provisions of

the NIC Governance Document or the terms of the relevant Project Direction.

Independent Examiner	means a person nominated by, and independent of, the licensee or any business or Associate of the licensee with the skill and knowledge to undertake an evaluation of the practices, procedures and systems implemented by the licensee in order to secure compliance with Special Condition 2.4 (Electricity Market Reform) and 2.3 (Business separation requirements and compliance obligations).
Interconnector Owner	means the holder for the time being of an electricity interconnector licence in relation to which licence the Authority has issued a Section G (Cap and Floor Conditions) Direction and in which Section G remains in effect (whether or not subject to any terms included in the Section G (Cap and Floor Conditions) Direction or to any subsequent variation of its terms, to which the licensee may be subject).
Joint Works Projects	means where the licensee and Transmission Owners or any successor company to each, agree to provide Commercial Operational Services so as to minimise costs on the national electricity transmission system when the costs are higher than £1,900,000.
Joint Works Projects Principles	means the following criteria that a project must meet to qualify as a Joint Works Project - that the project must: (a) provide benefits to existing and future electricity consumers in Great Britain; (b) not be funded and be capable of being funded elsewhere and (c) must be supported by an independent review by an appropriate third-party independent expert on the licensee's analysis and conclusions on paragraph 4.4.6(a) and 4.4.6(b) of Special Condition 4.4 (SO-TO Mechanism).
Licensed Activity	has the meaning given to the term "Transmission Business Activities" in Standard Condition B1 (Regulatory Accounts).
Maximum Revenue	means the revenue calculated in accordance with the formula set out in Part B of Special Condition 3.1 (Transmission Network Revenue Restriction).

Minimum Service Level	means the minimum service level required to provide an appropriate Black Start Capability for Great Britain.
National Demand	has the meaning given to the term in the Grid Code.
National Electricity Transmission System	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Network Access Policy	means a design to facilitate efficient performance and effective liaison between the System Operator and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System (NETS) for the benefit of consumers.
Network Operator	has the meaning given to the term in the Grid Code.
New Provider	means an authorised electricity or other provider in respect of a generation set or other asset in respect of which the licensee has not entered into any agreement to provide Black Start services prior to the date on which this condition takes effect in this licence.
NIA	means the network innovation allowance provided by Special Condition 4.6 (The RIIO-2 network innovation allowance).
NIC	means the network innovation competition provided by Special Condition 3.3 (RIIO-1 Network Innovation Competition).
NIC Funding	means the total amount of funding authorised by the Authority for the licensee and other electricity Transmission Licensees and Electricity Distribution Licensees, in accordance with the provisions of the NIC Governance Document, for the purpose of funding Eligible NIC Projects.
NIC Funding Mechanism	is the mechanism by which the licensee recovers the amount of authorised NIC Funding and apportions that amount between the licensee and other Transmission Licensees and Electricity Distribution Licensees as appropriate in accordance with the NIC Governance Document.
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part C of Special Condition 3.3 (RIIO-1 Network Innovation Competition).
NTS System Operation Activity	has the meaning given to that term in Special Condition 1A.4 of National Grid Gas plc's gas transporter licence.

Offshore Transmission Licence	means a transmission licence held by an Offshore Transmission Owner.
Offshore Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Outage Change	<p>means a change notified to Transmission Owners, Offshore Transmission Owners or any successor company to each, by the licensee to the Outage Plan on or after Week 49, as updated from time to time in accordance with the STC, other than:</p> <p>(a) a change to the Outage Plan requested by Transmission Owners, Offshore Transmission Owners or any successor company to each (the “original change”); and</p> <p>(b) such changes notified to Transmission Owners, Offshore Transmission Owners or any successor company to each by the licensee which:</p> <p>(i) the licensee and Transmission Owners, Offshore Transmission Owners or any successor company to each agree are necessary in order to give effect to the original change; or</p> <p>(ii) where there is a failure to agree, the Authority determines are necessary in order to give effect to the original change, and</p> <p>(c) without prejudice to sub-paragraphs (a) and (b) above, any change to the Outage Plan notified to Transmission Owners, Offshore Transmission Owners or any successor company to each by the licensee which the licensee and the Transmission Owner or Offshore Transmission Owner agree is not an Outage Change under this licence condition (a “non-chargeable outage change”).</p>
Outage Plan	has the meaning given to that term the STC.
Partial Shutdown	has the meaning given to that term in the Grid Code.
PCFM Guidance	means the guidance document issued by the Authority in accordance with Part E of Special Condition 5.2 (Annual Iteration Process for the ESO Price Control Financial Model).
PCFM Variable Values	means the values in the table of that name in the ESO Price Control Financial Handbook.
Peak National Demand	means the outturn peak National Demand adjusted in accordance with the Weather Correction Methodology.
Peak National Demand Forecast	means the one-year or four-year ahead forecast of Peak National Demand that is associated with the licensee’s Peak System Demand Forecast and estimate of capacity

	to meet that Peak System Demand Forecast in the Electricity Capacity Report.
Peak System Demand Forecast	means the forecast in the Electricity Capacity Report of peak demand across the whole of the electricity system met by all forms of generation; which includes forecasts of Peak National Demand, peak demand met by distributed generation and peak demand reduction by Demand Side Response.
Pension Scheme Established Deficit	means the difference between assets and liabilities, determined at any point in time, attributable to pensionable service up to the end of the 31 March 2012 and relating to the Transmission Business under the Authority's Price Control Pension Principles, and applies equally if there is a subsequent surplus.
Permitted Purpose	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Prescribed Rates	means: (a) business rates in England and Wales; and (b) non-domestic rates in Scotland, or any equivalent tax or duty replacing those rates that is levied on the licensee in respect of its Licensed Activity.
Price Control Pension Principles	means the principles set out in the Authority's guidance note on price control pension principles issued as Appendix 3 to the decision letter, 'Decision on the Authority's policy for funding Pension Scheme Established Deficits' dated 7 April 2017.
Price Control Period	means the period of five Regulatory Years commencing on 1 April 2021.
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Recovered Revenue	means the revenue (measured on an accruals basis) derived from the provision of Transmission Network Services (including to any separate business, other than the Transmission Business) in the Regulatory Year, after deduction of value added tax (if any) and any other taxes charged directly by reference to such accruals.

Regulatory Year	means a period of twelve months commencing on 1 April.
Related Undertaking	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Relevant Other Competitive Businesses	means the business of: <ul style="list-style-type: none"> (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted; (b) an Offshore Transmission Owner; (c) undertaking carbon capture and storage activities; or <ul style="list-style-type: none"> (d) owning or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Relevant Regulated Businesses	means National Grid Electricity Transmission plc (company number 2366977) (and its successors in title) and its affiliates or related undertakings participating in the transmission of electricity pursuant to a transmission licence treated as granted to National Grid Electricity Transmission plc under section 6(1)(b) of the Act; and National Grid Gas plc (company number 2006000) (and its successors in title) and its affiliates or related undertakings participating in gas transportation pursuant to a gas transporter licence treated as granted to National Grid Gas plc under section 7 of the Gas Act 1986.
Relevant Special Conditions	means Special Condition 4.1 (System Operator Internal Revenue Restriction), together with such of the Special Conditions of this licence as is ancillary to the operation of the provisions of Special Condition 4.1 to which a Disapplication Request under Special Condition 2.10 (Disapplication of Relevant Special Conditions) relates; and Special Condition 3.1 (Transmission Network Revenue Restriction), together with such of the Special Conditions of this licence as is ancillary to the operation

of the provisions of Special Condition 3.1 to a Disapplication Request under Special Condition 2.10 (Disapplication of Relevant Special Conditions).

Relevant Valuation Agency	means: (a) the Valuation Office Agency in England and Wales (or any other public body acquiring its functions); and (b) the Scottish Assessors Association in Scotland (or any other public body acquiring its functions).
Remuneration Policy	means the policy described in Part B of Special Condition 2.14 (Remuneration Policy and Expenses Policy).
Restoration Approach	<u>means the method by which the licensee will restore the National Electricity Transmission System in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).</u> means the method by which the licensee would Black Start the National Electricity Transmission System.
Restoration Time	<u>means the time it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).</u> means the time the licensee expects it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown.
Retail Prices Index	means the monthly values of the “RPI All Items Index”, series ID “CHAW”, published by the Office for National Statistics (or any other public body acquiring its functions).

Returned Project Revenues	means (a) revenues received (whether by the licensee or any other Transmission Licensee or Electricity Distribution Licensee) under the NIC Funding Mechanism in respect of an Eligible NIC Project, that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; or (b) revenues earned from Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee or Electricity Distribution Licensees) other than Returned Royalty Income, that the Authority determines are payable to customers.
Returned Royalty Income	means revenue earned from intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other electricity Transmission Licensee and Electricity Distribution Licensees), less Directly Attributable Costs, that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.
RIGs	means the document published by the Authority in accordance to Standard Condition B15 (Regulatory Instructions and Guidance).
RIIO-1	means the price control that applied to the licensee for the period of eight years beginning on 1 April 2013.
RIIO-1 Bad Debt	means the Bad Debt incurred during RIIO-1.
RIIO-1 Network Innovation Allowance	means the arrangements established by Special Condition 3H (The Network Innovation Allowance) of this licence as in force on 31 March 2021.
RIIO-1 NIA Governance Document	means the document issued by the Authority in accordance with Part E of Special Condition 3H (The Network Innovation Allowance) as in force on 31 March 2021.
RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part B of Special Condition 4.6 (The RIIO-2 network innovation allowance).
RIIO-2 NIA Projects	means those projects undertaken by the licensee that appear to the Authority to satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of Special Condition 4.6 (the RIIO-2 network innovation allowance).

RIIO-1 SO Bad Debt	means the SO Bad Debt incurred during RIIO-1.
RIIO-2 period	means the price control that applies to the licensee for the period of five Regulatory Years beginning on 1 April 2021 and ending on 31 March 2026.
Security Period	for the purposes of Special Condition 2.8 (Allowances in respect of a Security Period) means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters into effect and terminating on such date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.
Shared Services	means shared corporate services (excluding regulatory services) as specified in the EMR Compliance Statement. Except in relation to Special Condition 2.3 (Business separation requirements and compliance obligations) where it means shared corporate services (which shall not include regulatory services) as specified in the compliance statement established under Part D.
Single Appointed Director	means a member of the managerial board for the System Operator, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the compliance officer set out in paragraph 2.3.27 of Special Condition 2.3 (Business Separation requirements and compliance obligations).
Single Responsible Director	means a person appointed for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the EMR Compliance Officer and the licensee's compliance with its EMR Relevant Duties.
Site-Specific Charges	means charges defined in Schedule Ten of STC.
SO Bad Debt	means the expense incurred by the licensee when Balancing Services Activity related charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
SO Internal Allowed Revenue	means the revenue calculated in accordance with the formula set out in Part B of Special Condition 4.1 (System Operator Internal Revenue Restriction).

SONIA	means the daily values of the sterling overnight index average, series ID “IUDSOIA”, published by the Bank of England (or any other public body acquiring its functions).
SO-TO Optimisation Governance Document	means the document issued by the Authority under Part A of Special Condition 2.13 (SO-TO Optimisation Governance).
SO-TO Optimisation Report	means a document prepared and published by the licensee in accordance with Part B of Special Condition 2.13 (SO-TO Optimisation Governance).
SO-TO Optimisation Solutions	has the meaning given to that term in the SO-TO Governance Document.
Specified business separation duties	means Special Condition 2.3 (Business Separation requirements and compliance obligations), Standard Condition B5 (Prohibition of Cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 2.6 (Prohibited Activities and Conduct of the Transmission Business).
Stakeholder	for the purposes of Special Condition 2.1 (EMR Arrangements) refers to the general body of persons (including but not limited to Customers or other actual users of GB Transmission System and Distribution System) who are affected by or have an interest in the licensee’s operations.
STC	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
System Operator - Transmission Owner Code	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
System Operator Functions	means for the purposes of Special Condition 2.3 (Business separation requirements and compliance obligations), the activities of the licensee pursuant to the obligations under Section C (System Operator Standard Conditions) of this licence for which there are no equivalent obligations under Section D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions), of the Standard Conditions contained in a Transmission Licence.

System Operator Functions Information	means all information disclosed to or acquired in any way (and whether directly or indirectly) by the licensee's employees, agents, contractors and advisors solely by virtue of the performance of System Operator Functions by the licensee, but excluding all information that has entered the public domain otherwise than as a direct or indirect consequence of a breach of this licence.
Tax Reconciliation	means the reconciliation between the licensee's Calculated Tax Allowance and its Actual Corporation Tax Liability as reported to the Authority as part of the Price Control Financial Model.
Tax Strategy	has the meaning given to that term in Schedule 19 to the Finance Act 2016.
Time Value of Money Adjustment	has the meaning given to that term in the glossary of the ESO Price Control Financial Handbook.
Total Costs	means the total costs associated with the provision of Black Start, including procuring, testing, warming, utilising, capital contributions and payments for Feasibility Studies costs.
Total NIA Expenditure	means expenditure that satisfies the requirements of the RII0-2 NIA Governance Document and is partly recovered by the licensee under Special Condition 4.6 (The RII0-2 network innovation allowance).
Total Shutdown	has the meaning given to that term in the Grid Code.
Transmission Area	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Business	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Business Activities	has the meaning given to that term in Standard Condition B1 (Regulatory Accounts).
Transmission Entry Capacity	has the meaning given to that term in the CUSC.
Transmission Licence	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Transmission Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Transmission Network Revenue	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).

Transmission Network Services	has the meaning given to that term in Standard Condition C1 (Interpretation of Section C).
Transmission Owner	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
Ultimate Controller	has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).
User System	has the meaning given to that term in the Grid Code.
Weather Correction Methodology	means the methodology used by the licensee at the time a Peak National Demand Forecast was produced to correct the associated outturn Peak National Demand to Annual Average Cold Spell Conditions.
Week 49	has the meaning given to that term in STC.
Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.

Special Condition 1.2 Modification of Standard Conditions

1.2.1 For the purposes of this licence, the Standard Conditions are to be read with the modifications set out in the following table:

Table of Modifications

<i>Standard Condition</i>	<i>Provision</i>	<i>Modification</i>
A1 (Definitions and interpretation)	Immediately after definition of “eligible generator”.	Insert— ““EMR functions” has the same meaning as in Chapter 5 of Part 2 of the Energy Act 2013;”.
A1 (Definitions and interpretation)	Definition of “permitted purpose”.	At the end of subsection (c) insert— “; and (d) the EMR functions.”
A1 (Definitions and interpretation)	Definition of “transmission business”.	(1) After “maintenance” insert the words “or commercial management”. (2) For sub-paragraph (i) and the remainder of the definition before the definition of “transmission constraint costs” substitute—

<i>Standard Condition</i>	<i>Provision</i>	<i>Modification</i>
		<p>(i) “any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or</p> <p>(ii) any other business of the licensee of any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons; or</p> <p>(iii) any business of National Grid Electricity Transmission plc (Company Number 2366977) and its affiliates or related undertakings participating in the transmission of electricity pursuant to a transmission licence held by National Grid Electricity Transmission plc”.</p>
B1 (Regulatory Accounts)	Paragraph 2(a).	After the word “business” insert— “(which, for the purposes of this condition and Standard Conditions B5 and B6 only, includes the EMR functions)”.
B5 (Prohibition of Cross Subsidies)	Paragraph 1.	Between the words “business” and “shall” insert “(which, for the purposes of this condition and Standard Condition B1 and B6 only, includes the EMR functions)”.
B6 (Restriction on Activity and Financial Ring Fencing)	Paragraph 1.	After “transmission business” insert “(which, for the purposes of this condition and Standard Conditions B1 and B5 only, includes the EMR functions)”.
B7 (Availability of Resources)	Paragraph 1(b).	At end insert— “; and (c) to properly and efficiently carry on the EMR functions and to comply in all respects with its obligations under EMR legislation”.
B7 (Availability of Resources)	Paragraph (2)(a).	After the words “transmission business”, in each place, insert “and EMR functions”.

<i>Standard Condition</i>	<i>Provision</i>	<i>Modification</i>
B7 (Availability of Resources)	Paragraph 2(b).	After the words “transmission business”, in each place, insert “and EMR functions”.
B7 (Availability of Resources)	Paragraph 2(c).	After the words “transmission business”, in each place, insert “and EMR functions”.
B7 (Availability of Resources)	Paragraph 4(a).	After the words “transmission business”, in each place, insert “and EMR functions”.
B7 (Availability of Resources)	Paragraph 4(b).	After the words “transmission business”, in each place, insert “and EMR functions”.
B7 (Availability of Resources)	Paragraph 4(c).	After the words “transmission business”, in each place, insert “and EMR functions”.
B8 (Undertaking from ultimate controller)	Paragraph 1.	Between the words “under” and “the” insert “EMR legislation,”.
B8 (Undertaking from ultimate controller)	After paragraph 3.	Insert— “4. The licensee will not be in breach of paragraph 1 if during the period of 7 days beginning with the date on which this paragraph comes into force, or such other period as the Authority may direct, the licensee procures an updated version of the undertaking required by paragraph 1, that includes reference to its obligations under or by virtue of EMR legislation”.
B22 (Requirement for sufficiently independent directors)	/	For word “two” immediately before the words “non-executive directors” substitute “three”.
C2 (Prohibited activities)	Paragraph 2.	Immediately before the words “shall not, on its own account” insert “that is not subject to Condition D6”.
C2 (Prohibited activities)	After paragraph 3.	“4. For the avoidance of doubt, paragraph 2 will not prohibit or restrict the ability of the licensee to carry out its EMR functions.”

Chapter 2: General Obligations

[...]

Special Condition 2.2 Electricity System Restoration Standard

Introduction

2.2.1 The purpose of this condition is to require the licensee to comply with the Electricity System Restoration Standard once the licensee has received a direction from the Secretary of State designating the Electricity System Restoration Standard. It also requires the licensee to produce an Electricity System Restoration Assurance Framework to demonstrate compliance with the Electricity System Restoration Standard.

Part A: Electricity System Restoration Standard

2.2.2 In accordance with sections 7(3)(a) and 107 of the Electricity Act 1989, the licensee must comply at all times during a Regulatory Year with the Electricity System Restoration Standard, once the licensee has received:

(a) a direction from the Secretary of State designating the Electricity System Restoration Standard and the date from which it shall apply; or

(b) any subsequent directions from the Secretary of State which have the effect of amending the Electricity System Restoration Standard.

2.2.3 Once the licensee has received a direction from the Secretary of State under paragraph 2.2.2(a), or a subsequent direction under paragraph 2.2.2(b), it must procure restoration services, and propose any modifications to the Grid Code and other industry codes that are required to comply with the designated Electricity System Restoration Standard .

2.2.4 The licensee must ensure that its procurement of restoration services and proposal of modifications to the Grid Code and other industry codes are completed in time to ensure that it has the ability to comply with the Electricity System Restoration Standard by the date the Secretary of State directs that it shall apply.

2.2.5 In deciding whether to take any enforcement action against the licensee, the Authority will take into account reasons given by the licensee for non-compliance where the Authority is satisfied that those reasons are outside the reasonable control of the licensee and that the circumstances have prevented the licensee complying with the Electricity System Restoration Standard at all times during a Regulatory Year.

Part B: Electricity System Restoration Assurance Framework

2.2.6 Within 90 days following receipt of a direction from the Secretary of State designating the Electricity System Restoration Standard pursuant to

- paragraphs 2.2.2(a) and 2.2.2(b), and thereafter at 12 monthly intervals (unless otherwise directed by the Authority), the licensee must submit an Electricity System Restoration Assurance Framework to the Authority for approval.
- 2.2.7 Prior to submission of the Electricity System Restoration Assurance Framework to the Authority, the licensee must first consult with the Authority and other Electricity Licensees for not less than 30 days on its proposed Electricity System Restoration Assurance Framework.
- 2.2.8 The Electricity System Restoration Assurance Framework must include, but need not be limited to:
- (a) The strategy for the provision of Electricity System Restoration which is to be applied for the next Regulatory Year, between the next one to three years, and beyond three years. This must include a Restoration Approach that ensures that the Electricity System Restoration Standard is capable of being complied with at all times during a Regulatory Year, and identification of technologies and approaches for the provision of Electricity System Restoration services;
 - (b) A description of how the licensee will monitor its ability to comply with the Electricity System Restoration Standard at all times during a Regulatory Year;
 - (c) Ex-ante modelling of Restoration Times for the subsequent Regulatory Year using credible projections of the required National Electricity Transmission System data, as well as ex-post modelling of Restoration Times using real world National Electricity Transmission System data from the previous Regulatory Year. If the modelling indicates that the licensee has not been able to comply with the Electricity System Restoration Standard, the licensee must explain the reasons why it is unable to do so to the Authority; and
 - (d) Sufficient details of the methodology, assumptions and data used by the licensee to reflect the capabilities of the National Electricity Transmission System during the subsequent Regulatory Year to allow other Electricity Licensees to assess and provide comment on how well the licensee is representing the capabilities of the National Electricity Transmission System within the Electricity System Restoration Model.
- 2.2.9 The submission of the Electricity System Restoration Assurance Framework must be accompanied by a report from an independent auditor of internationally recognised standing appointed by the licensee. This report must provide an assessment of the licensee's Electricity System Restoration Model, that must include, but need not be limited to, an ex-ante assessment of how well that model's input data, technical assumptions, and calculations will represent the capabilities and characteristics of the National Electricity Transmission System during the subsequent Regulatory Year.

Part C: Authority Approval of Electricity System Restoration Assurance Framework

- 2.2.10 The licensee must submit the Electricity System Restoration Assurance Framework to the Authority for approval, as set out in Part B of this condition.
- 2.2.11 If the Authority rejects the Electricity System Restoration Assurance Framework it will direct the licensee to resubmit a revised Electricity System Restoration Assurance Framework to the Authority for approval, within a period specified in that direction.
- 2.2.12 If the Authority approves the Electricity System Restoration Assurance Framework, the licensee must publish the Electricity System Restoration Assurance Framework and the report by the independent auditor on its website as soon as is reasonably practicable following approval.
- 2.2.13 Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 2.2.12, it must seek the Authority's approval to publish a redacted version of the Electricity System Restoration Assurance Framework, or report by the independent auditor.

Part D: Revisions to Electricity System Restoration Assurance Framework

- 2.2.14 During the 12-month period to which the approved Electricity System Restoration Assurance Framework applies during a Regulatory Year, the licensee may submit revisions to the Authority for approval.
- 2.2.15 Except where the Authority directs otherwise, before seeking any revision of the approved Electricity System Restoration Assurance Framework the licensee must:
- (a) send a copy of the proposed revisions to the Authority;
 - (b) consult with other Electricity Licensees on the proposed revisions and allow them a period of not less than 30 days in which to make representations to the licensee;
 - (c) submit to the Authority within 30 days of the close of the consultation period referred to in paragraph 2.2.15(b) a report setting out:
 - i. the revisions originally proposed;
 - ii. the representations (if any) made to the licensee; and
 - iii. any changes to the revisions, and
 - (d) where the Authority directs that paragraphs 2.2.15(a), (b) and (c) or any of them shall not apply, comply with such other requirements as are specified in that direction.

- 2.2.16 Following receipt of a revision under paragraph 2.2.15(c) the Authority may direct the licensee to make the revision, where the Authority is satisfied that the revision is economic and efficient and will provide value for money for electricity consumers in Great Britain.
- 2.2.17 Unless the Authority issues a direction under paragraph 2.2.16 within a period of 60 days, beginning with the date of the submission made by the licensee under paragraph 2.2.15(c), the proposed revision will be treated as not being approved by the Authority.
- 2.2.18 If the Authority directs any revision to be made under paragraph 2.2.16 the licensee must:
- (a) revise the approved Electricity System Restoration Assurance Framework in accordance with the Authority's direction; and
 - (b) publish the revised Electricity System Restoration Assurance Framework on its website during the period of 7 days beginning with the date of receipt of a direction under paragraph 2.2.16.
- 2.2.19 Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 2.2.18(b), it must seek the Authority's approval to publish a redacted version of the revised Electricity System Restoration Assurance Framework.

Special Condition 2.2 Black Start Strategy & Procurement Methodology

Introduction

2.2.20—The purpose of this condition is to set out the obligations of the licensee in relation to:

- (a) a Black Start Strategy;
- (b) a Black Start Procurement Methodology; and
- (c) an Annual Report.

Part A: Black Start Strategy

2.2.21—Further to the statement prepared pursuant to paragraph 4 of Standard Condition C16 (Procurement and use of balancing services) the licensee must, before the end of the first Working Day after the date on which this condition comes into effect and once during each period of 12 months beginning with that date (or otherwise directed by the Authority), submit to the Authority for approval, a Black Start Strategy setting out how the licensee will approach the delivery of Black Start onto the National Electricity Transmission System.

2.2.22—The Black Start Strategy must include:

- (a) the strategy for Black Start provision which is to be applied for the subsequent year including an appropriate Restoration Approach, the Minimum Service Level required and appropriate Restoration Time;
- (b) the strategy for Black Start provision for the two years following the period covered by subparagraph (a), including an appropriate Restoration Approach, the Minimum Service Level required, appropriate Restoration Time and identification of new technologies and approaches for the provision of Black Start; and
- (c) the strategy for Black Start provision for the years following the period covered by subparagraph (b), including an appropriate Restoration Approach, the Minimum Service Level required, appropriate Restoration Time and identification of new technologies and approaches for the provision of Black Start.

Part B: Black Start Procurement Methodology

2.2.23—The licensee must before the end of the first Working Day after the date on which this condition comes into effect and once during each period of 12 months beginning with that date (or as otherwise directed by the Authority), submit to the Authority for approval, a Black Start Procurement Methodology for the purposes of determining that any procurement of Black Start is economic and efficient, including that it provides value for money for current and future electricity consumers in Great Britain.

2.2.24—The Black Start Procurement Methodology must include:

- (a) the methodology for determining the value to current and future electricity consumers in Great Britain of Black Start provision;
- (b) the methodology for determining how each Black Start service contracted provides value to current and future electricity consumers in Great Britain and how consumer value is assessed across all Black Start services contracted cumulatively;
- (c) the process by which the licensee will seek to procure new Black Start services and assess tenders to determine that:
 - i.—the Minimum Service Level required is met in Great Britain;
 - ii.—any tenders accepted by the licensee are demonstrably economic and efficient, including by providing value for money for current and future electricity consumers in Great Britain; and
 - iii.—the Black Start procurement process is economic, efficient and competitive; and
- (d) the process by which the licensee will assess whether it is economic and efficient to incur Feasibility Studies cost to test new providers.

Part C: Authority Approval of Methodologies

- ~~2.2.25—The licensee must submit the Black Start Strategy and the Black Start Procurement Methodology to the Authority for approval, as set out in Part A and B of this condition.~~
- ~~2.2.26—If the Authority rejects the Black Start Strategy or Black Start Procurement Methodology it may direct the licensee to resubmit a revised strategy or methodology to the Authority for approval, within a period specified in that direction.~~
- ~~2.2.27—If the Authority approves the Black Start Strategy or the Black Start Procurement Methodology, the licensee must publish the Black Start Strategy or the Black Start Methodology on its website as soon as is reasonably practicable following approval.~~
- ~~2.2.28—Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 2.2.8, it must seek the Authority’s approval to publish a redacted version of the Black Start Strategy or the Black Start Procurement Methodology.~~

Part D: Revision to Methodologies

- ~~2.2.29—During the 12-month period to which the approved Black Start Strategy and Black Start Procurement Methodology apply, the licensee may submit revisions to the Authority for approval.~~
- ~~2.2.30—Where the licensee submits revisions to the Authority for approval, the licensee must send a copy to any person who requests one, unless in the licensee’s view it would not be appropriate to do so.~~
- ~~2.2.31—Following receipt of a notification under paragraph 2.2.10 the Authority may direct the licensee to revise the relevant approved methodology to reflect the proposed revision where the Authority is satisfied that the revision is economic and efficient and will provide value for money for electricity consumers in Great Britain.~~
- ~~2.2.32—Following receipt of a revision under paragraph 2.2.11 the Authority will direct the licensee to make the revision, where the Authority is satisfied that the revision is economic and efficient and will provide value for money for electricity consumers in Great Britain.~~
- ~~2.2.33—Unless the Authority issues such a direction, during the period of three months beginning with the date of the submission under paragraph 2.2.10, the proposed revision will be treated as not being approved by the Authority.~~
- ~~2.2.34—If the Authority directs revisions under paragraph 2.2.12 the licensee must revise the relevant approved Methodology.~~

~~2.2.35—The licensee must also publish the revised Black Start Strategy or Black Start Procurement Methodology on its website during the period of 7 days beginning with the date of receipt of a direction under paragraph 2.2.12.~~

~~2.2.36—Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 2.2.16, it must seek the Authority’s approval to publish a redacted version of the revised Black Start Strategy or the revised Black Start Procurement Methodology.~~

Part E: Preparation and publication of Annual Report

~~2.2.37—During the period of one month beginning with the end of each Regulatory Year, the licensee must prepare an Annual Report in a form approved by the Authority in respect of the Total Costs the licensee has incurred in that Regulatory Year in relation to Black Start Provision.~~

~~2.2.38—The report provided to the Authority under paragraph 2.2.18 must give particulars of:~~

- ~~(a) the Total Costs incurred for that Regulatory Year, and how the Total Costs have been calculated;~~
- ~~(b) how the Total Costs have been incurred in accordance with the Black Start Strategy and the Black Start Procurement Methodology; and~~
- ~~(c) any other analysis or information which the licensee considers to be required to enable the Authority fully to assess the particulars to which the report relates.~~

~~2.2.39—The report prepared pursuant to paragraph 2.2.18 must be accompanied by a statement from an independent auditor of internationally recognised standing appointed by the licensee:~~

- ~~(a) confirming that the report is accurate; and~~
- ~~(b) detailing the auditor’s independent assessment of the extent to which the licensee has complied with the Black Start Strategy and the Black Start Procurement Methodology.~~

~~2.2.40—The licensee must publish the Annual Report on its website as soon as is reasonably practicable.~~

~~2.2.41—Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 2.2.21, it must seek the Authority’s approval to publish a redacted version.~~

Special Condition 4.2

Special Condition 4.2 Balancing Services Activity Revenue Restriction on External Costs

Introduction

4.2.1 The purpose of this condition is:

- (a) to establish the charging restrictions that determine the level of allowed revenue that may be recovered by the licensee, associated with its external balancing costs; and
- (b) to set out the obligations of the licensee in respect of those charging restrictions.

Part A: Balancing services activity revenue restriction on external costs (BXext_t)

4.2.2 The licensee must use best endeavours to ensure that the revenue derived from and associated with procuring and using balancing services (being the external costs of the Balancing Services Activity) does not exceed the BXext_t term, calculated in accordance with the following formula:

$$BXext_t = CSOBM_t + BSCC_t + TotAdj_t - OM_t + SOTOC_t + LOCTRU_t + BSUoSCOVID_t$$

where:

CSOBM_t is the cost to the licensee of bids and offers in the Balancing Mechanism accepted by the licensee less the total non-delivery charge and is the sum of the values of CSOBM_j (being the System Operator BM cashflow for each settlement period j as defined in the BSC);

BSCC_t means the costs to the licensee of contracts for the availability or use of Balancing Services and associated costs in line with the Black Start Procurement Methodology outlined in Special Condition 2.2 (Black Start Strategy and Procurement Methodology), excluding costs within CSOBM_t but including charges made by the licensee for the provision of balancing services to itself;

TotAdj_t means the amount of any adjustment as provided in paragraph 4.2.3;

OM_t means an amount representing the revenue from the provision of balancing services to others, derived in accordance with Part C;

SOTOC_t means the SO-TO cost allowance term, calculated in accordance with Special Condition 4.4 (SO-TO Mechanism);

LOCTRU_t has the value of:

OCTRU_t as determined in accordance with Part A of Special Condition 4J (SO-TO Mechanism) of this licence as in force on 31 March 2021; and

LOCTRU_t for Regulatory Years commencing on or after 1 April 2023 is zero; and

BSUoSCOVID_t means for Regulatory Year 2021/22 the total cost of the Covid Support Scheme incurred in 2020/21, including any administrative or financing cost borne by the system operator, as per Section 1.30 of CUSC and for other Regulatory Years thereafter the value of this term will be zero.

[...]