

Appendix 2 – Reasons and Effect for Standard Conditions not applied

Condition No.	The reason the Authority proposes not to include these conditions is because:	Effect of not applying the condition:
B1	MRPL's expected annual turnover (from a commercial contract with the NGESO) will be much lower relative to the turnover of other licensees that have rights to a regulated revenue under the transmission price control. Therefore we consider the requirement of producing regulatory accounts is not proportionate for MRPL who will operate a standalone shunt reactor within a small transmission area.	Removes the obligation for the licensee to hold and prepare regulatory accounts, the provisions for these, and how these are audited.
B3	MRPL will operate a standalone shunt reactor within a small transmission area under contract to the NGESO. If it sells the shunt reactor, MRPL will be unable to meet its obligations under the licence or fulfil its commercial contract with the System Operator. The shunt reactor will likely have limited financial value to buyers that do not hold an ET Licence because the service provision is a licensable activity. We therefore consider that this condition is unnecessary.	Removes the restriction on the licensee from relinquishing control over key assets without Ofgem approval.
B7	The payment and performance standards required of MRPL will be specified in the commercial contract it will have with the NGESO. It has privately raised the capital to invest in the shunt reactor and will only receive its contracted revenues upon delivery of the agreed service to the NGESO. MRPL has strong financial incentives to ensure that it has the necessary resources to provide the services it has contracted with the NGESO to undertake, therefore this condition is unnecessary. Additionally, the inclusion of Condition D2 will ensure that MRPL has an	Removes the requirement for the licensee to certify that it has necessary resources to undertake its transmission business properly and efficiently.

	ongoing obligation to provide services to the NGESO, which MRPL will need to be adequately resourced to deliver.	
B9	We consider that the condition is not reasonable for MRPL because it will not achieve an investor-grade credit rating due to their small company size, turnover and structure. As a result, MRPL would face undue restrictions on managing its financial affairs, which in turn could adversely impact its financing options.	Removes the restriction from the licensee from undertaking indebtedness without consent from Ofgem, along with other related restrictions, linked to having an investment-grade credit rating.
B10	We consider this condition is not relevant as there is little consumer risk from MRPL not achieving an investor-grade credit rating. MRPL's capital investment is privately funded and there are no users connected within MRPL's transmission area. Consequently, there is no credit risk for consumers (which there is for the other onshore ET licensees) and there is no risk of a user being without network access if MRPL does not deliver on its contracted service to the NGESO.	Removes the requirement for the licensee to have an investor-grade credit rating and provide financial reporting.
B11	We consider this condition is not relevant for MRPL as it will not have any generators connected within its specified transmission area.	Removes the requirement for the licensee to adhere to the Fuel Security Code (FSC).
B15	We consider this condition is not relevant to MRPL as it will not be subject to the transmission regulatory price controls and the associated reporting under the Regulatory Instructions and Guidance (RIGs). We also note that information can be requested from MRPL via Condition B4 if required.	Removes the requirement for MRPL to comply with and submit RIGs reporting to Ofgem.
B16	We consider the requirement to develop a strategy for the network is not relevant for MRPL because its participation in transmission will be limited to a narrow, specific and	Removes the obligation for the Licensee to develop a Network Innovation Strategy and operate a joint approach to innovation with other licensees.

	time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity.	
B18	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity.	Removes the provision of licensees as potential operators of last resort for Offshore Transmission Owners.
B19	We consider that this condition is not relevant for MRPL as it will not have any generators seeking to connect within its transmission area.	Removes the requirement on the licensee to facilitate connect and manage arrangements during a transition period.
B22	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity. Additionally, the inclusion of Condition B8 will add further restriction on the ability of Ultimate Controllers to influence decisions at MRPL.	Removes the requirement on company directors to be sufficiently independent to prevent conflict of interest.
B23	We consider this condition is not relevant for MRPL as we are not proposing for the submission of data through B15, and do not consider this to be necessary.	Removes the requirement to adherence to the Data Assurance Requirements (DAG) to report data.
C1-C28	We consider Section C (System Operator) is not relevant for MRPL as they will not be responsible for operating the national transmission system.	Removes Section C, which contains the System Operator conditions and the associated functions and obligations.
D3	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to NGESO under a commercial	Removes the requirement for compliance with a number of standards relating to new connections and development of the licensee's transmission system.

	agreement and it will not participate in any other transmission activity. MRPL will not be connecting users to within its transmission area or investing to increase its transmission assets. Additionally, the inclusion of Condition B12 will require MRPL to adhere to the System Operator – Transmission Owner Code (STC), which will provide additional assurance through these standards.	
D4A	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity. MRPL will not be connecting users within its transmission area.	Removes a number of obligations in relation to connection offers and the BETTA process.
D4B	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity. MRPL will not be connecting users within its transmission area.	Relates to connection offers and allows for the authority to require changes to offers.
D5	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity. It will not be able to discriminate between parties because it will not have the opportunity to do so.	Prohibits the licensee from discriminating between parties in undertaking its duties.

D12	We consider this condition is not applicable as the site of the licensable activity is not in Scotland.	Compliance with the Scottish Settlement Agreement for transmission in Scotland.
D15	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity. MRPL will not be connecting users within its transmission area.	Relates to connection offers during a transition period relating to BETTA and the STC.
D16	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity. MRPL will not be connecting users within its transmission area.	Sets out the requirements of a Connect and manage connection
D17	We consider this condition is not relevant to MRPL because its participation in transmission will be limited to a narrow, specific and time limited purpose of delivering the reactive power service to the NGESO under a commercial agreement and it will not participate in any other transmission activity such as planning of the wider transmission network.	Requires coordination with other transmission and distribution licensees for whole system solutions
E1-E24	We consider Section E is not relevant for MRPL because the licence application relates only to participation in a narrow, specific and time limited aspect of onshore transmission.	Offshore Transmission Owner conditions and functions