

To:

National Grid Electricity Transmission Plc
SP Transmission Limited
Scottish Hydro Electric Transmission Plc
National Grid Electricity System Operator Limited

**Electricity Act 1989
Section 11A(1)(a)**

**Modification of the Special Conditions of the Electricity Transmission Licence held
by each of the above licensees**

1. Each of the licensees to whom this document is addressed is the holder of an Electricity Transmission Licence ('the Licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 15 December 2021 ('the Notice') that we propose to modify the Licence by:
 - a. Amending the existing Special Conditions, including the Price Control Financial Handbook; and
 - b. Issuing the NARM Handbook and Network Asset Risk Workbook, which form part of Special Condition 3.1 (Baseline Network Risk Output).
3. We stated that any representations to the modification proposal must be made on or before 17 January 2022.
4. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
5. We received 9 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments can be found in our Issues Log, on our website², alternatively they are available from foi@ofgem.gov.uk.
6. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in yellow highlight in the modification text that can be found on our website. The reasons for the differences between the modifications set out in the Notice and the modifications are to correct errors in the modifications proposed, improve the modifications proposed and to address minor issues and corrections raised since the issuing of the Notice such as formatting errors.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² <https://www.ofgem.gov.uk/publications/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions-1-april-2022>

7. The reasons and effects document is our notice of reasons for the purposes of section 49A(2) of the Act and can be found on our website³, together with the full text of the modifications. Modifications that were substituted by the CMA's Order⁴ on RIIO-2 Appeals⁵ are shown in green highlight. Modifications that have been made already - but are still in the 56 day standstill period before they take effect - are shown in cyan highlight.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules⁶ requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the special conditions of the Licence held by the licensees in the manner specified on our website. This decision will take effect from 1 April 2022.

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Laura Nell
Interim Deputy Director
Duly authorised on behalf of the
Gas and Electricity Markets Authority

03/02/2022

³ <https://www.ofgem.gov.uk/publications/statutory-consultation-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions-0>

⁴ CMA's Final Determinations and order in the Energy Licence Modification Appeals, issued on 28 October 2021. [Energy Licence Modification Appeals 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf)

⁵ <https://www.gov.uk/cma-cases/energy-licence-modification-appeals-2021>

⁶ CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf