

**Independent System Operator and Planner**

**Electricity System Operator**

**Licence Conditions**

DRAFT

# Contents

<b>Contents</b>	<b>2</b>
<b>Section A: Definitions and interpretation</b>	<b>4</b>
Condition A1 Definitions	4
Condition A2 Interpretation	4
Condition A3 Housekeeping licence modifications	7
<b>Section B: Business conduct and independence</b>	<b>9</b>
Condition B1 Independence Requirements and compliance obligations	9
Condition B2 Restriction on activity and financial ring fencing	15
Condition B3 Conduct of ISOP Business	16
Condition B4 Compliance with directions related to national security	17
Condition B5 Prohibition of cross-subsidies	18
Condition B6 Prohibition on discriminating between users	18
Condition B7 Notification of changes that may affect Eligibility for Certification	19
Condition B8 Information ringfencing requirements	20
<b>Section C: Strategic and operational functions</b>	<b>22</b>
Condition C1 Functions under the Electricity System Operator Licence	22
Condition C2 Licensee's regard to Strategy and Policy Statement	25
Condition C3 Digitalisation	26
Condition C4 Electricity System Restoration Standard	28
Condition C5 Limits on the level to which Transmission Services are provided	31
Condition C6 Licensee's obligations regarding critical national infrastructure	31
Condition C7 Energy resilience and resilience reporting	32
Condition C8 EMR Arrangements	34
Condition C9 Procurement and use of Balancing Services	36
Condition C10 Network Access Policy (NAP)	41
Condition C11 Requirements of a Connect and Manage Connection	42
Condition C12 Production of information about the National Electricity Transmission System	43
Condition C13 The Network Options Assessment (NOA) process and reporting requirements	48
Condition C14 Electricity Network Innovation Strategy	53
<b>Section D: Provision of advice and information</b>	<b>56</b>
Condition D1 Provision of ISOP Advice	56
Condition D2 Information requests by the licensee	56
Condition D3 Provision of information to the Authority	58
Condition D4 Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner	59
Condition D5 Data assurance requirements	62
Condition D6 Regulatory Instructions and Guidance (RIGs)	65
<b>Section E: Industry codes and charging</b>	<b>69</b>

Condition E1 Balancing and Settlement Code (BSC)	69
Condition E2 Connection and Use of System Code (CUSC)	83
Condition E3 Grid Code	96
Condition E4 System Operator – Transmission Owner Code	107
Condition E5 Compliance with Distribution Codes	121
Condition E6 Security arrangements	121
Condition E7 Transmission system security standard and quality of service	122
Condition E8 SO-TO Optimisation Governance	124
Condition E9 Duty to cooperate	125
Condition E10 Use of System charging and methodology	126
Condition E11 Connection Charging Methodology	129
Condition E12 Requirement to offer terms	132
Condition E13 Functions of the Authority	137
Condition E14 Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations	140
Condition E15 Assistance for Areas with High Distribution Costs Scheme (AAHDCS)	144
<b>Price control</b>	<b>150</b>
<b>Financial Provisions</b>	<b>151</b>

# Section A: Definitions and interpretation

## Condition A1 Definitions

### Introduction

1. The purpose of this condition is to set out the defined terms that are used in the conditions of this licence (all of which are capitalised throughout these conditions).

### Part A: Definitions

2. In these conditions the following defined terms have the meanings given in the table below.
3. Where it is stated in these conditions 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.
4. Where the table below states that a defined term has the meaning given to it by:
  - (i) another condition of this licence;
  - (ii) a condition of another licence;
  - (iii) the ISOP Price Control Financial Instruments;
  - (iv) the RIGs;
  - (v) the STC;
  - (vi) the Grid Code;
  - (vii) the CUSC;
  - (viii) the Uniform Network Code;
  - (ix) the Fuel Security Code;
  - (x) an Associated Document; or
  - (xi) an Act of Parliament,the defined term is to have the meaning given in that provision or document as amended from time to time.

[Placeholder – see spreadsheet provided]

## Condition A2 Interpretation

### Introduction

1. The purpose of this condition is to set out provisions of general interpretation for the conditions of this licence.
2. Note that other provisions exist in the terms of this licence.
3. General rules of interpretation

4. The provisions of this licence are to be read and understood as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them.
5. Unless the context otherwise requires, any word or expression defined in the Utilities Act 2000, the Electricity Act 1989, or any of the Energy Acts 2004 to [2023] has the same meaning when used in the conditions of this licence.
6. Unless the context otherwise requires, any reference in the conditions of this licence to an Industry Code, an agreement, or a statement is a reference to that code, agreement, or statement as modified, supplemented, transferred, novated, revised, or replaced from time to time.
7. The heading or title of any section, condition, schedule, paragraph, or subparagraph in the conditions of this licence is for convenience only and does not affect the interpretation of the text to which it relates.
8. The "Introduction" of a condition, before Part A, is for convenience only.
9. Unless the context otherwise requires:
  - (a) any reference in the conditions of this licence to a section, part, condition, schedule, or paragraph is a reference to it in the conditions of this licence;
  - (b) any reference in a condition of this licence to a part or paragraph is a reference to it in that condition; and
  - (c) any reference in the conditions of this licence to any natural or legal person includes that person's successors.
10. Any reference in the conditions of this licence to any of the following:
  - (a) a provision of the conditions of the Gas System Planner Licence;
  - (b) a provision of the standard conditions or special conditions of electricity Transmission Licences;
  - (c) a provision of the special conditions of electricity Transmission Licences;
  - (d) a provision of the standard conditions of electricity supply licences;
  - (e) a provision of the standard conditions of electricity Distribution Licences;
  - (f) a provision of the standard conditions of electricity Generation Licences; or
  - (g) a provision of the standard conditions of electricity interconnector licences;is to be read, if the conditions of this or of any of the other licences are subsequently modified, as a reference (so far as the context permits) to the corresponding provision of the other relevant conditions.
11. References to "the licensee" in this licence are references to the ISOP to whom this licence has been granted, or is to be treated as granted, under section 6(1)(da) of the Electricity Act 1989.

## **Part A: Licensee's performance of obligations**

12. Where any obligation in this licence is required to be performed by a specified date or time or within a specified period and the licensee has failed so, the obligation will continue to be binding and enforceable after the specified date or time or after the end of the specified period, but without prejudice to all rights and remedies available against the licensee in relation to its failure.
13. The licensee must comply with a direction (and with any conditions to which the direction may be subject) given to it by the Authority or the Secretary of State under any provision of this licence that provides for such direction to be given.
14. Where obligations in the Gas System Planner Licence provide for documents and reports of the same name to be produced as those obligated under this licence, the licensee must prepare the following documents in the same form, manner and submission as the equivalent document obligated to be produced under the Gas System Planner Licence:
  - (a) the Independence Statement under paragraph 16 of condition B1 (Independence requirements and compliance obligations) of this licence and paragraph 16 of condition B1 (Independence requirements and compliance obligations) of the Gas System Planner Licence;
  - (b) the report of the Compliance Officer under paragraph 26(h) of condition B1 and paragraph 26(h) of condition B1 (Independence requirements and compliance obligations) of the Gas System Planner Licence;
  - (c) the Compliance Report under paragraph 28 of condition B1 and paragraph 28 of condition B1 (Independence requirements and compliance obligations) of the Gas System Planner Licence;
  - (d) the Digitalisation Strategy under paragraph 3 of condition C3 (Digitalisation) of this licence and paragraph 3 of condition C3 (Digitalisation) of the Gas System Planner Licence;
  - (e) the Digitalisation Action Plan under paragraph 6 of condition C3 of this licence and paragraph 6 of condition C3 (Digitalisation) of the Gas System Planner Licence;
  - (f) the code of conduct under paragraph 5 of condition B8 (Information ringfencing requirements) and paragraph 5 of condition B6 (Information ringfencing requirements) of the Gas System Planner Licence;

## **Part B: Specific application of powers**

15. Unless a contrary intention appears, any power of the Authority under any provision of this licence to give a direction, consent, derogation, approval or designation, is a power:
  - (a) to give 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) to revoke or amend it (after consulting the licensee) or give it again under that power.
16. Unless a contrary intention appears, any power of the Authority under any provision of this licence to make a determination or a decision is a power:
- (a) to make it subject to such terms and conditions as the Authority thinks reasonable in all the circumstances of the case; and
  - (b) to make it again under that power.
17. Any direction, consent, derogation, approval, designation or determination, decision or other instrument given or made by the Authority under this licence will be given or made in Writing.
18. Where these conditions provide for the Authority to issue or amend a document or Associated Document by direction, the steps required to achieve this may be satisfied by action taken before, on, or after the date the relevant condition comes into effect.
19. Any reference in a condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence.

## **Condition A3 Housekeeping licence modifications**

### **Introduction**

1. The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence.

### **Part A: Assessment of proposed modification**

2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.
3. In making the assessment required by paragraph 2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

### **Part B: Circumstances in which a modification may be made**

4. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of the conditions of this licence is a Housekeeping Modification, it may modify the licence by direction to implement the intended modification. Otherwise, any modification will be made under section 11A of the Electricity Act 1989 or section 166 of the Energy Act 2023 where appropriate.
5. Before making a direction under paragraph 4, the Authority will publish on the Authority's Website:
  - (a) the text of the proposed direction;

- (b) the reasons for the proposed direction, including why the Authority believes that it is a Housekeeping Modification; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

6. A direction under paragraph 4 will set out:

- (a) the modification to the conditions of this licence; and
- (b) the date on which it is to have effect or the mechanism by which that date is to be determined.

DRAFT



## **Section B: Business conduct and independence**

### **Condition B1 Independence Requirements and compliance obligations**

#### **Introduction**

1. The purpose of this condition is to establish the Independence Requirements and compliance obligations in respect of the ISOP Business, as follows:
  - (a) Part A sets out the Independence Requirements that the licensee must comply with when undertaking ISOP Business;
  - (b) Part B sets out requirements for the appointment of Sufficiently Independent Directors;
  - (c) Part C sets out the obligations related to Transitional Services;
  - (d) Part D sets out the requirement for an Independence Statement;
  - (e) Part E sets out the requirements for the appointment of a Compliance Officer and compliance reporting; and.
  - (f) Part F provides for the licensee to apply for a derogation for relief from its obligations under this condition.
2. The Secretary of State's policy is that the licensee is anticipated to have a high level of operational independence from government. This provision does not create any additional right or obligation for any person.

#### **Part A: Independence Requirements**

3. The licensee must put in place and maintain such systems, processes and other governance arrangements that are necessary to maintain the impartiality of its employees and the independence of its ISOP Business from Conflict of Interest Parties.
4. In carrying out the functions of the ISOP, the licensee must use best endeavours to avoid any perceived or real conflicts of interest relating to any Conflict of Interest Parties.
5. Paragraph 3 does not exclude the licensee from engaging in partnership projects with Conflict of Interest Parties.

#### **Part B: Requirements for non-executive directors to be Sufficiently Independent Directors**

6. Subject to paragraph 15 except and to the extent that the Authority consents otherwise, the licensee must ensure that at all times at least half of its non-executive directors are Sufficiently Independent Directors.
7. A Sufficiently Independent Director must:
  - (a) be a natural person;

- (b) in the reasonable opinion of the licensee, have the skills, knowledge, experience, and qualities necessary to perform effectively as a non-executive director of the licensee; and
  - (c) not have any executive duties within the ISOP.
- 8. Except and to the extent that the Authority consents otherwise, a Sufficiently Independent Director must not be, and must not have been during the 12 months before their appointment as a director of the licensee or the coming into force of this condition (whichever is the later):
  - (a) an employee of the licensee;
  - (b) a director or employee of an ISOP Associate of the licensee; or
  - (c) a director or employee of any Conflict of Interest Party.
- 9. Except and to the extent that the Authority consents otherwise, a Sufficiently Independent Director must not:
  - (a) enter into, or have entered into during the 12 months before their appointment as a director or the coming into force of this condition (whichever is the later), any contractual arrangements with the licensee, ISOP Associate or Conflict of Interest Party, or be employed by an organisation that entered into any contractual arrangements with the licensee, ISOP Associate or Conflict of Interest Party;
  - (b) hold a position to represent the interests of any ISOP Associate or the interests of any Conflict of Interest Party;
  - (c) receive remuneration from the licensee (apart from a director's fee and reasonable expenses), any ISOP Associate or Conflict of Interest Party; or
  - (d) hold any direct shareholdings in any ISOP Associate or Conflict of Interest Party.
- 10. For the purposes of paragraph 9(c), the receipt or retention of any benefit accrued from prior employment or service with the licensee, any ISOP Associate or Conflict of Interest Party will not be considered to be remuneration.
- 11. The licensee must notify the Authority of the names of its Sufficiently Independent Directors within 14 days from the date this licence comes into effect and must notify the Authority within 14 days from the date of appointment where any new directors are appointed to fulfil the obligation in paragraph 15 of this condition.
- 12. The terms of appointment of each Sufficiently Independent Director must include a condition stipulating that both the licensee and the appointee must use their best endeavours to ensure that the appointee remains a Sufficiently Independent Director during their term of office, having particular regard to the requirements set out in paragraphs 7, 8 and 9.

13. A term of appointment for a Sufficiently Independent Director must not be for longer than 8 years, but an individual may be reappointed thereafter provided that they continue to meet the requirements set out in paragraphs 7, 8 and 9.
14. The licensee must notify the Authority in Writing within 14 days if any Sufficiently Independent Director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the licensee) the resignation. For the purposes of this obligation, the reasons for a resignation may, if appropriate, be stated to be personal reasons.
15. If at any time fewer than half of the licensee's non-executive directors are Sufficiently Independent Directors because of a removal or resignation or other reasons (including death or incapacity), the licensee must use its best endeavours to ensure that a new non-executive director is, or new non-executive directors are, appointed to fulfil the obligation in paragraph 6 as soon as is reasonably practicable to bring the number of Sufficiently Independent Directors up to at least half of the licensee's non-executive directors.

### **Part C: Transitional Services [TBC]**

[Obligations related to transitional services to follow]

### **Part D: Independence Statement**

16. By the end of a period of 30 days, beginning with the date on which this condition comes into effect, the licensee must submit to the Authority the Independence Statement, which must set out:
  - (a) a list of services which fall under the definition of Transitional Services;
  - (b) details of the Transitional Services Agreements under which those Transitional Services are (and are to be) provided and an explanation of how they ensure that any real or perceived conflict of interests are effectively addressed such that the licensee is in compliance with this condition;
  - (c) the systems, processes and other governance arrangements that the licensee will put in place to maintain the impartiality of its employees and the independence of its ISOP Business;
  - (d) how the licensee will meet its Independence Requirements and obligations under this condition in the treatment of Transitional Services, including proposals to ensure it is able to operate without Transitional Services Agreements by the time that those which exist when the first Transitional Services Statement is delivered expire;
  - (e) a strategy to transfer to the ISOP, or otherwise provide for the long-term outsourcing, of any Transitional Services to services that are not provided by members of the National Grid Plc or its Affiliates or Related Undertakings, including:

- (i) an approach to transferring Transitional Services to the ISOP that ensures economy and efficiency in terms of the combination of cost and quality;
  - (ii) a clear timeline and milestones to complete transfer to the ISOP or outsourcing (without Transitional Services Agreements) of services comprising Transitional Services, with due regard to the need to remove any real or perceived conflicts of interest; and
  - (iii) protection of business continuity for the licensee at all times to fully exercise its statutory functions and comply with its licence obligations and all relevant requirements; and
- (f) any other transitional arrangements that could result in any real or perceived conflicts of interest; and
- (g) any other reporting that the Authority may reasonably require to ensure any real or perceived conflicts of interest are addressed.
17. Within 28 days of receipt of the document provided for in paragraph 16, or any revisions to that document as provided for in paragraph 18(b), the Authority will:
- (a) approve the Independence Statement and notify the licensee of such approval; or
  - (b) give a direction to the licensee that the Independence Statement requires further development and direct the date by which the licensee is required to submit any further revisions to the Authority for approval.
18. Following the Authority's approval of the document provided for in paragraph 16, the licensee must:
- (a) unless the Authority otherwise consents or directs, comply with the terms of the approved Independence Statement; and
  - (b) review the Independence Statement and revise it as necessary:
    - (i) at such intervals as the Authority may direct;
    - (ii) when circumstances change such that the Independence Statement no longer secures compliance with the Independence Requirements and obligations as set out in this condition; and/or
    - (iii) to ensure that the Independence Statement continues to be complete and accurate in all material respects; and
  - (c) submit any revisions to this document to the Authority, which will only become effective once the Authority has approved them in accordance with paragraph 17.
19. The licensee must publish a copy of the Independence Statement, having regard to commercial confidentiality and as approved by the Authority, and each revised version on its website during the period of 15 Working Days beginning with the date of its approval by the Authority.

## **Part E: Appointment of a Compliance Officer and compliance reporting**

20. The licensee must, following consultation with the Authority, appoint a Compliance Officer for the purpose of monitoring and facilitating the licensee's compliance with the Independence Requirements and obligations under this condition.
21. The licensee must ensure that the Compliance Officer appointed under paragraph 20 is the same person appointed under condition B1 (Independence Requirements and compliance obligations) of the Gas System Planner Licence.
22. The licensee must ensure that the Compliance Officer:
  - (a) is provided with such staff, premises, equipment, facilities and other resources; and
  - (b) has such access to the licensee's premises, systems, information and documentation,as, in each case, the Compliance Officer might reasonably require for the fulfilment of the duties and tasks assigned under this condition.
23. The licensee must ensure that the Compliance Officer is not engaged in the management or operation any ISOP Affiliate or ISOP Related Undertaking, or any Conflict of Interest Parties.
24. The licensee must ensure that the Compliance Officer is sufficiently independent to carry out the duties and tasks under paragraph 26.
25. The licensee must make available to the Compliance Officer the details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the Independence Requirements and obligations under this condition.
26. The duties and tasks of the Compliance Officer must include:
  - (a) providing advice and information to the licensee for the purpose of ensuring the licensee's compliance with the Independence Requirements;
  - (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Independence Requirements and obligations under this condition, including the requirements set out in the Independence Statement;
  - (c) advising whether, to the extent that the implementation of such practices, procedures and systems requires the co-operation of any other person, they are designed so as reasonably to secure the required cooperation;
  - (d) investigating any complaint or representation made available to the Compliance Officer in accordance with paragraph 25;
  - (e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;

- (f) providing relevant advice and information to the licensee for the purpose of ensuring its implementation of:
    - (i) the practices, procedures and systems adopted in accordance with the Independence Statement; and
    - (ii) any remedial action recommended in accordance with paragraph 26(e);
  - (g) any other duties or tasks that the licensee or the Authority may reasonably require to fulfil compliance with the Independence Requirements and obligations under this condition; and
  - (h) reporting annually to the Board once in each Regulatory Year after this condition comes into force as to their activities during the period covered by the report, including the fulfilment of the duties and tasks of the Compliance Officer in paragraphs 26(a) to (g).
27. As soon as is reasonably practicable and in any event before the period of 90 days beginning with the date of issue of each annual report of the Compliance Officer under paragraph 26(h), the licensee must produce, in a form approved by the Authority, the Compliance Report that sets out the licensee's:
- (a) compliance with the Independence Requirements and obligations under this condition during the period since the last Compliance Report; and
  - (b) implementation of the practices, procedures and systems adopted in accordance with the Independence Statement.
28. The Compliance Report must:
- (a) detail the activities of the Compliance Officer during the relevant period covered by the report under paragraph 26(h);
  - (b) report on the impartiality of the licensee's employees and the independence of the ISOP Business, including any perceived or real conflicts of interest with Conflict of Interest Parties and the steps taken to mitigate these conflicts;
  - (c) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems described in the Independence Statement; and
  - (d) set out the details of any investigations conducted by the Compliance Officer, including:
    - (i) the number, type and source of the complaints or representations on which such investigations were based;
    - (ii) the outcome of such investigations; and
    - (iii) any remedial action taken by the licensee following such investigations.
29. The licensee must, as soon as reasonably practicable, and in any event before the end of the period of 120 days beginning with the issue of each annual report of the

Compliance Officer under paragraph 26(h), submit to the Authority a copy of the Compliance Report produced in accordance with paragraph 27 and publish a copy of it on its website.

## **Part F: Derogations**

30. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

## **Condition B2 Restriction on activity and financial ring fencing**

### **Introduction**

1. The purpose of this condition is to establish:
  - (a) in Part A, the restrictions on activity, shareholdings and other investments of the licensee; and
  - (b) in Part B, limitations in respect of the licensee or an ISOP Associate conducting ancillary functions.

### **Part A: Restrictions on activity, shares and investments**

2. Save as provided by paragraphs 3 and 4, the licensee must not conduct any business or carry out any activity other than the ISOP Business.
3. The licensee must not own, develop, manage or operate an Electricity Storage Facility, except where the licensee owns or operates an Electricity Storage Facility which is situated on a site on which the licensee carries out its ISOP Business, for the purpose of continuity of supply and System Resilience, or energy management and the Electricity Storage Facility is not used to buy or sell electricity in the Electricity Markets.
4. The licensee must not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:
  - (a) shares or other investments in a body corporate, the sole activity of which is to carry out aspects of the ISOP Business that the licensee has delegated to that body (with the approval of the Authority);
  - (b) shares or other investments in a body corporate which is a Subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for any purpose related to the ISOP Business; or
  - (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with the Independence Requirements set out in condition B1 (Independence Requirements and compliance obligations) and best corporate governance practice as required (or, in the absence of any such

requirement, recommended) by the Financial Conduct Authority (or a successor body) from time to time for listed companies in the United Kingdom.

5. Subject to the provisions of paragraph 4, nothing in this condition prevents:
  - (a) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence; or
  - (b) the licensee from performing the supervisory or management functions of a Holding Company in respect of any Subsidiary.

### **Part B: Ancillary functions**

6. Nothing in this condition will prevent the licensee from:
  - (a) carrying out any functions pursuant to section 177(3) of the Energy Act 2023; or
  - (b) conducting any business or carrying out any activity to which the Authority or the Secretary of State has given its consent in Writing.
7. The licensee must ensure the carrying out of any function or activity falling under paragraph 6 of this condition is carried out in accordance with the requirements and obligations set out in condition B1.

## **Condition B3 Conduct of ISOP Business**

### **Introduction**

1. The purpose of this condition is to establish the licensee's obligations in respect of the conduct of its ISOP Business, and avoidance of discriminatory or preferential behaviour.

### **Part A: Licensee's conduct of its ISOP Business**

2. The licensee must conduct its ISOP Business in the manner best calculated to secure that none of:
  - (a) the ISOP
  - (b) any ISOP Affiliate or ISOP Related Undertaking;
  - (c) any Gas Shipper or Gas Supplier;
  - (d) any Gas Transporter, including any DN Operator;
  - (e) any user of the National Electricity Transmission System;
  - (f) any Licensed Distributor; or
  - (g) any Transmission Licensee,obtains an unfair commercial advantage including any advantage from a preferential or discriminatory arrangement.



3. The licensee must manage and deliver its ISOP Business in a way best calculated to ensure that the licensee does not unduly restrict, prevent or distort competition in:
  - (a) the supply of electricity or gas;
  - (b) the shipping of gas;
  - (c) the generation of electricity;
  - (d) the production of gas;
  - (e) electricity transmission;
  - (f) gas transportation;
  - (g) any Fuel Trading Business; or
  - (h) the supply of Meter-Related Services or of Meter Reading Services.

#### **Part B: Licensee's records of compliance**

4. The licensee must keep and maintain such records concerning its compliance with this condition that the Authority considers are sufficient to enable it to assess whether the licensee is complying with this condition.
5. The licensee must provide to the Authority such records under paragraph 4 in such manner and at such times as the Authority may require.

### **Condition B4 Compliance with directions related to national security**

#### **Introduction**

1. The purpose of this condition is to require the licensee to comply with directions issued by the Secretary of State where there is a risk relating to national security that may detrimentally impact the resilience, safety or security of the energy system, or the continuity of essential services.

#### **Part A: National security directions**

2. The licensee must comply with any direction that has been issued or amended by the Secretary of State in accordance with paragraph 3.
3. The Secretary of State may issue a direction under this paragraph where in the opinion of the Secretary of State:
  - (a) there is a risk relating to national security that may detrimentally impact:
    - (i) the resilience, safety or security of the energy system; or
    - (ii) the continuity of essential services, and
  - (b) it is in the interest of national security that a direction should be issued to the licensee.
4. A direction under paragraph 3 may require the licensee to:

- (a) take actions or refrain from taking actions as specified in the direction;  
and/or
  - (b) provide information specified in the direction to the Secretary of State.
5. The Secretary of State may amend or revoke any direction issued to the licensee under this condition.
  6. The licensee is not required to comply with any obligation in this licence (or the Gas System Planner Licence), where and to the extent that compliance with that obligation would be inconsistent with the requirement to comply with a direction issued in accordance with paragraph 3, for the period set out in the direction.
  7. The licensee must inform the Secretary of State of the conflict identified in paragraph 6 between the obligations as soon as reasonably practicable after the conflict is identified.

## **Condition B5 Prohibition of cross-subsidies**

### **Introduction**

1. The purpose of this condition is to establish restrictions on the provision and receipt of cross-subsidies by and to the licensee.

### **Part A: Restrictions on cross-subsidies**

2. The licensee must not give any cross-subsidy to, or receive any cross-subsidy from, an ISOP Affiliate or ISOP Related Undertaking.

## **Condition B6 Prohibition on discriminating between users**

### **Introduction**

1. The purpose of this condition is to set out the prohibition on the licensee on discriminating between users.

### **Part A: Licensee's duties**

2. In the provision of Use of System, or in the carrying out of works for the purpose of connection to the National Electricity Transmission System, the licensee must not unduly discriminate between any persons or class or classes of persons.
3. Without prejudice to paragraph 2 and subject to paragraph 5 the licensee must apply charges objectively and without discrimination.
4. The licensee must not make charges for provision of Use of System to any Authorised Electricity Operator or class or classes of Authorised Electricity Operators, which differ in respect of any item separately identified in the statement referred to in paragraph 3(b) of [condition E10 (Use of System Charging and Methodology)] from those for provision of similar items under Use of System to any other Authorised Electricity Operator or class or classes of Authorised Electricity

Operator except insofar such differences reasonably reflect differences in the costs associated with such provision.

5. Notwithstanding paragraphs 3 and 4 the licensee must not make Use of System charges in respect of any item of charge separately identified in the statement referred to in paragraph 3(b) of condition E10 on any Authorised Electricity Operator, whose contract does not provide for the Authorised Electricity Operator to receive the service to which such item of charge refers.
6. In setting Use of System Charges, the licensee must not unduly restrict, distort, or prevent competition in the generation, transmission, supply, or distribution of electricity, the supply, shipping, transportation or production of gas or in the participation of the operation of an Interconnector.

## **Condition B7 Notification of changes that may affect Eligibility for Certification**

### **Introduction**

1. The purpose of this condition is to ensure the Authority is informed of any event or circumstances that may affect the licensee's Eligibility for Certification or exercise of Shareholder Rights.

### **Part A: Notifying the Authority**

2. Where the licensee has made or makes an application for Certification, if at any time prior to the Authority notifying the licensee of its Certification decision under section 10D(4) of the Electricity Act 1989 the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its Eligibility for Certification, the licensee shall as soon as reasonably practicable notify the Authority in Writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its Eligibility for Certification.
3. Where the licensee has been Certified, if at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its Eligibility for Certification, the licensee must as soon as reasonably practicable notify the Authority in Writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its Eligibility for Certification.
4. If at any time from the Relevant Date the licensee exercises or is likely to exercise any Shareholder Right or right of appointment in the circumstances described in section 10M of the Electricity Act 1989, the licensee must as soon as is reasonably practicable notify the Authority in Writing of the right that has been or is likely to be exercised and the effect of exercising that right.

## Condition B8 Information ringfencing requirements

### Introduction

1. The purpose of this condition is to ensure that the licensee appropriately manages and secures confidential information that relates to the licensee's performance of its functions.

### Part A: Information requirements within the ISOP Business

2. The licensee must identify any confidential data and confidential information it holds that in its opinion should not be disclosed or otherwise be accessible to persons other than the licensee's employees, agents, contractors and advisors, which includes but is not limited to:
  - (a) data and information related to national security and to the delivery of the obligations under condition C6 (Licensee's obligations regarding critical national infrastructure) and condition C7 (Energy resilience and resilience reporting); and
  - (b) data and information that is market sensitive.
3. Unless the Authority otherwise consents, the licensee must ensure that appropriate protections are in place to ensure that any person or class(es) of persons involved in the delivery of Transitional Services, that have access to any confidential data and confidential information under paragraph 2 secure that such confidential data and confidential information is not directly or indirectly disclosed to, solicited, or used by any person who:
  - (a) is not required to have access to that confidential data and confidential information;
  - (b) is engaged in Transitional Services (except where they are the class or classes of persons permitted to have access to confidential data and confidential information under a relevant Transitional Services Agreement); or
  - (c) is delivering services as part of bilateral agreements with the NTS System Operator.
4. Without prejudice to paragraph 3, the licensee must ensure that the systems for the recording, processing or storage of confidential data and confidential information under paragraph 2 cannot be disclosed to or otherwise accessed by persons engaged in the management or operation of any Conflict of Interest Party.
5. Paragraph 4 will not apply to the disclosure or access of information identified in paragraph 2:
  - (a) where required by or under any statute, enactment or provision of subordinate legislation or where the licensee is specifically required to do so under a condition of this licence;

- (b) to National Gas Transmission plc where such disclosure is required by it for purposes connected with the carrying out of NTS System Operator Activity and so authorised by the Transporter Licence granted or treated as granted to National Gas Transmission plc under the Gas Act 1986, or required for the delivery of services referred to in paragraph 3(c));
  - (c) where required or permitted under the STC;
  - (d) where required or permitted under the Uniform Network Code;
  - (e) where required by or under any statute, enactment or provision of subordinate legislation, or the rules of any governmental or regulatory authority having jurisdiction over the licensee, or for the purposes of facilitating the performance of any functions of the Secretary of State or the Authority (for the avoidance of doubt, this includes the functions of the Secretary of State as the shareholder of the licensee);
  - (f) where the licensee has obtained prior written consent from the provider of the information for such disclosure, provided that the extent of such disclosure is consistent with the consent obtained; and
  - (g) where authorised in advance in Writing by the Authority.
6. The licensee must establish and maintain a code of conduct governing the identification, disclosure and use of information identified in accordance with paragraph 2, and how the licensee ensures compliance with its obligations under paragraphs 3 and 4, as well as Part B of this condition.
  7. The licensee must produce the code of conduct under paragraph 6 in a form approved by the Authority.
  8. The requirement of paragraph 7 may be satisfied by actions taken by the licensee and the Authority before this licence condition comes into effect as well as after.

**Part B: Information ringfencing and resilience obligations**

9. The licensee must ensure that persons engaged in the delivery of the Emergency Processes Assessment and the obligations in part A and part B of condition C7 (Energy resilience and resilience reporting) ensure that such data and information involved in this delivery is not directly or indirectly disclosed to, solicited, or used by any person who is engaged in the coordination and directing the flow of electricity onto and over Transmission Systems (except where such data and/or information was originally supplied by such a person).

## Section C: Strategic and operational functions

### Condition C1 Functions under the Electricity System Operator Licence

#### Introduction

1. The purpose of this condition is to ensure that the licensee carries out its functions under this Electricity System Operator Licence, in compliance with the licensee's Primary Duty and Secondary Duty.
2. This condition also sets out the process the Authority will follow in issuing and amending the ISOP Roles Guidance.

#### Part A: Functions of the ISOP

3. The licensee must carry out the functions of the ISOP.
4. The functions under this licence include, but are not limited to:
  - (a) taking actions to operate the National Electricity Transmission System based on all of the relevant information the licensee had available at the time;
  - (b) taking into account the impact its actions have on competition pursuant to section 161(1)(a) of the Energy Act 2023, with particular regard to the impact on the wholesale electricity market, and the development of the Total Electricity System in compliance with the licensee's Primary Duty and Secondary Duty  
and in doing so, the licensee must:
    - (i) consider the likely impact any such action would have on:
      - (1) wholesale electricity market price signals;
      - (2) the behaviour of electricity market participants; and
      - (3) the efficiency of the National Electricity Transmission System;
  - (c) considering the impact any action would have on the whole energy system including the Total Electricity System, pursuant to section 161(1)(c) of the Energy Act 2023;
  - (d) optimising the timing of transmission outages under the outage plan on the National Electricity Transmission System;
  - (e) publishing easily accessible information which the licensee holds to generate value for consumers and stakeholders, including but not limited to, ensuring information services are designed to meet the needs of the service users;
  - (f) publishing reliable scenarios of the long term development of the whole energy system and its needs under different scenarios;

(g) producing and publishing accurate and unbiased forecasts of:

- (i) Indicated Margin;
- (ii) Electricity Demand;
- (iii) Wind Generation Output;
- (iv) Carbon Intensity;
- (v) Balancing Costs; and

using its reasonable endeavours in producing and publishing reliable and unbiased forecasts of:

- (vi) Solar Generation Output;

(h) procuring Balancing Services to ensure operational security subject to the following:

- (i) ensuring the procurement of Balancing Services is subject to transparent, non-discriminatory and market-based procedures; and in doing so, the licensee must:

- (1) publish total costs and volumes of each Balancing Service represented in a consistent form across an appropriate time segmentation;
- (2) publish price, payment structure, volumes, capacity, technology type, length and end dates for all contracts held with Balancing Service providers for each Balancing Service, where appropriate in an anonymised or aggregated format; and
- (3) signal as far in advance as reasonably possible the forecasts volumes of all services the licensee will need to procure to operate the National Electricity Transmission System;

(i) ensuring the effective and non-discriminatory participation of all qualified market participants in the provision of Balancing Services, including not unduly restricting new and existing service providers from competing for the provision of such services, and in doing so, the licensee must:

- (i) in close cooperation with all market participants, establish technical requirements for participation in those markets; and
- (ii) subject to approval by the Authority and consultation with Licensed Distributors and relevant users of the Distribution System and National Electricity Transmission System, establish the specifications for the non-frequency balancing services procured and, where appropriate, standardised market products for such services;

(j) monitoring Balancing Services markets for potential breaches of the Grid Code, investigating where necessary and raising concerns to the Authority where appropriate;

- (k) anticipating future National Electricity Transmission System requirements by using and developing competitive approaches to procuring Balancing Services wherever this is in the best interests of current and future electricity consumers in Great Britain;
- (l) providing accurate and timely guidance to all industry parties on the relevant rules for the Contracts for Difference (CfD) and Capacity Market (CM) prequalification and auction processes;
- (m) coordinating and cooperating with Transmission Owners and Licensed Distributors to identify actions and processes that advance the efficient and economic operation of the networks;
- (n) using best endeavours to implement actions and processes identified and proposed through its activities under paragraph 3(m) that facilitate compliance with the licensee's Primary Duty and Secondary Duty;
- (o) exchanging all necessary information and coordinating with Licensed Distributors as necessary to facilitate compliance with the licensee's Primary Duty and Secondary Duty and to facilitate market development.
- (p) proposing and supporting Code Arrangements that promote the relevant code objectives in a timely manner;
- (q) developing, managing and maintenance of the process for the Use of System Charging Methodology;
- (r) managing connection applications for access to the National Electricity Transmission System in a fair, consistent and timely manner;
- (s) ensuring coordination with other network operators and interested parties and identifying and delivering network planning and development of solutions to meet the needs of the future whole energy system and that the licensee believes best facilitates compliance with licensee's Primary Duty and Secondary Duty. These solutions should include, but are not limited to, solutions that cost-effectively alleviate the need to upgrade or replace electricity network capacity;
- (t) providing ISOP Advice on receipt of requests from the Authority or a Minister of the Crown in accordance with section 168 of the Energy Act 2023;
- (u) providing guidance, information and analysis to persons involved in the energy sector where the licensee believes this would facilitate compliance with the licensee's Primary Duty and Secondary Duty, and publish this guidance, information and analysis where appropriate;
- (v) supporting the improvement of the resilience, flexibility and functioning of the whole energy system, including assessment and monitoring of the practices, services and market arrangements in place and provided by market participants; and



- (w) setting out, preparing for, and monitoring emergency preparedness, and responding to and learning from emergency events that impact parts of the whole energy system.

### **Part B: ISOP Roles Guidance**

- 5. The function of the ISOP Roles Guidance is to provide further guidance on how the ISOP's roles and functions should be carried out such that the licensee complies with its duties and obligations.
- 6. The Authority will issue and amend the ISOP Roles Guidance by direction.
- 7. The Authority will publish the ISOP Roles Guidance on the Authority's Website.
- 8. Before issuing new or amending the ISOP Roles Guidance, the Authority will publish on the Authority's Website:
  - (a) the text of the new or amended ISOP Roles Guidance;
  - (b) the date the Authority intends the new or amended ISOP Roles Guidance to come into effect;
  - (c) the reasons for the new or amended ISOP Roles Guidance; and
  - (d) the time within which representations may be made on the new or amended to the ISOP Roles Guidance which must not be less than 28 days.
- 9. The requirements of paragraph 6 of this condition may be satisfied by action taken by the Authority before, as well as by action taken after this condition comes into effect.

### **Part C: Derogations in respect of non-frequency Balancing Services**

- 10. The Authority may, at its own discretion, or on application by the licensee, grant a derogation from the licensee's obligation to procure non-frequency Balancing Services using market-based procedures (as required under paragraph 3(i)) where the Authority has determined that compliance with the market-based provision is economically not efficient.

## **Condition C2 Licensee's regard to Strategy and Policy Statement**

### **Introduction**

- 1. The purpose of this condition is for the licensee to carry out its functions and act in accordance with obligations set out in respect of the Strategy and Policy Statement.

### **Part A: Strategy and Policy Statement**

- 2. The licensee must explain in its Business Plan how it has acted in respect of the Strategy and Policy Statement pursuant to section 162 of the Energy Act 2023 in the carrying out of its functions.
- 3. Where requested by the Authority, the licensee must demonstrate how it has had regard to the Strategy and Policy Statement in respect of a specific activity or

function carried out, in such form and manner and at such times as requested by the Authority.

## **Condition C3 Digitalisation**

### **Introduction**

1. The purpose of this condition is to set out the licensee's obligations to:
  - (a) in Part A, have and update a Digitalisation Strategy;
  - (b) in Part B, have and update a Digitalisation Action Plan;
  - (c) in Part C, comply with the DSAP Guidance; and
  - (d) in Part D, comply with Data Best Practice Guidance.
2. This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

### **Part A: Requirements of the Digitalisation Strategy**

3. The licensee must have in place a Digitalisation Strategy.
4. The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at the intervals specified in the DSAP Guidance.
5. The licensee must:
  - (a) publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;
  - (b) maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and
  - (c) notify the Authority of any updates to the Digitalisation Strategy.

### **Part B: Requirements of the Digitalisation Action Plan**

6. The licensee must have in place its Digitalisation Action Plan.
7. The licensee must review the progress it has made against its Digitalisation Action Plan and update its Digitalisation Action Plan at the intervals specified in the DSAP Guidance.
8. The licensee must:
  - (a) publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;
  - (b) maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and

(c) notify the Authority of any updates to the Digitalisation Action Plan.

### **Part C: DSAP Guidance**

9. The licensee must comply with the DSAP Guidance when:
  - (a) preparing and updating its Digitalisation Strategy; and
  - (b) preparing and updating its Digitalisation Action Plan.
10. The Authority will issue and amend the DSAP Guidance by direction.
11. The Authority will publish the DSAP Guidance on the Authority's Website.
12. The DSAP Guidance will make provision about:
  - (a) how the licensee should work towards Digitalisation;
  - (b) how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan, how it intends to use Energy System Data to generate benefits for consumers and stakeholders, and the specific actions it will take to achieve that outcome;
  - (c) the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:
    - (i) their respective structure, content and level of detail;
    - (ii) the types of activities that should be covered in each; and
    - (iii) any required information associated with those activities; and
  - (d) the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

### **Part D: Requirement to employ Data Best Practice**

13. The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.
14. The Authority will issue and amend Data Best Practice Guidance by direction.
15. The Authority will publish Data Best Practice Guidance on the Authority's Website.
16. The Data Best Practice Guidance may make provision as to how the Authority expects the licensee to comply with Data Best Practice to generate benefits for consumers and stakeholders, including ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

### **Part E: Process for issuing and amending guidance**

17. Before issuing new or amending the DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

- (a) the text of the proposed guidance;
- (b) the date on which the Authority intends the proposed guidance to come into effect;
- (c) the reasons for the new issue of, or amendments to, the guidance; and
- (d) a period during which representations may be made on the content of the guidance, which will not be less than 28 days.

## **Condition C4 Electricity System Restoration Standard**

### **Introduction**

1. The purpose of this condition is to set out the licensee's obligations relating to the Electricity System Restoration Standard once the licensee has received a direction from the Secretary of State designating the Electricity System Restoration Standard.

### **Part A: Electricity System Restoration Standard**

2. The licensee must comply at all times 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 applies; or
  - (b) any subsequent direction(s) from the Secretary of State that has the effect of amending the Electricity System Restoration Standard.
3. The licensee must procure Restoration Services and propose any modifications to the Grid Code and other Industry Codes where the licensee has the power to propose modifications that are required to comply with the Electricity System Restoration Standard designated under paragraph 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 applies.
5. The licensee will not have failed to comply with its obligations under paragraphs 2, 3 or 4 where, upon receiving a written and sufficiently detailed explanation from the licensee, the Authority is satisfied that the licensee has been prevented from complying with these obligations for reasons that are outside of its reasonable control.

### **Part B: Electricity System Restoration Assurance Framework**

6. Within 90 days following receipt of a direction from the Secretary of State designating the Electricity System Restoration Standard pursuant to paragraph 2, 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.

7. Prior to submission of the Electricity System Restoration Assurance Framework to the Authority, the licensee must consult the Authority and other Electricity Licensees for not less than 30 days on its proposed Electricity System Restoration Assurance Framework.
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, for the two Regulatory Years after that and for subsequent Regulatory Years. This must include a Restoration Approach to ensure 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 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 actual National Electricity Transmission System data from the previous Regulatory Year; 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.
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, which 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**

10. If, following a submission under paragraph 6, the Authority rejects the Electricity System Restoration Assurance Framework, the licensee must comply with a

direction from the Authority to resubmit a revised Electricity System Restoration Assurance Framework to the Authority for approval, within a period specified in that direction.

11. 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.
12. Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 11, 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 the Electricity System Restoration Assurance Framework**

13. Before revising the approved Electricity System Restoration Assurance Framework, the licensee must submit the proposed revisions to the Authority for approval.
14. 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 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 14(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.
15. Where the Authority directs that any part of paragraph 14 will not apply, the licensee must comply with such other requirements as are specified in that direction.
16. Following receipt of a revision under paragraph 14(c), the Authority may direct the licensee to make the revision, where the Authority is satisfied that the revision better facilitates the licensee's compliance with its Primary Duty and Secondary Duty and will provide value for money for electricity consumers in Great Britain.
17. Unless the Authority issues a direction under paragraph 16 within a period of 60 days, beginning with the date of the submission made by the licensee under paragraph 14(c), the proposed revision will be treated as not being approved by the Authority.

18. If the Authority directs any revision to be made under paragraph 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 16.
19. Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 18(b), it must seek the Authority's approval to publish a redacted version of the revised Electricity System Restoration Assurance Framework.

## **Condition C5 Limits on the level to which Transmission Services are provided**

### **Introduction**

1. The purpose of this condition is to set out the licensee's obligation relating to the technical levels set out in the System Operator – Transmission Owner Code (STC).

### **Part A: Licensee's obligations**

2. In coordinating and directing the flow of electricity onto and over the National Electricity Transmission System, the licensee must, in accordance with the STC, ensure that any of the technical levels that apply to the provision to the licensee of any Transmission Services are not exceeded.
3. The technical levels referred to in paragraph 2 are those set out in the STC.

## **Condition C6 Licensee's obligations regarding critical national infrastructure**

### **Introduction**

1. The purpose of this condition is to ensure the licensee supports the identification of critical national infrastructure and reviews and applies methodologies where the Secretary of State may request.

### **Part A: Reviewing critical national infrastructure**

2. Where the Secretary of State requests the licensee to review any methodology (or methodologies) that aims to identify critical national infrastructure (as defined by the Secretary of State in such a request), the licensee must give a reasoned opinion and comment as to whether the application of the methodology (or methodologies) would facilitate the identification of sites, systems and assets that are critical national infrastructure existing in:
  - (a) the National Electricity Transmission System;

- (b) Distribution Systems;
  - (c) Electricity Generators; and
  - (d) any other part(s) of the whole energy system that the licensee views would be appropriate to provide reasoned opinion and comment.
3. The licensee must propose any revisions to any methodology provided under paragraph 2 that in the licensee's opinion will better facilitate the identification of sites, systems and assets that are critical national infrastructure by such date as the Secretary of State may request.

**Part B: Critical national infrastructure assessments and application of methodologies**

4. The licensee must, when the Secretary of State requests apply any methodology provided under paragraph 2 and identify sites and assets of critical national infrastructure across:
- (a) the National Electricity Transmission System;
  - (b) Distribution Systems;
  - (c) Electricity Generators; and
  - (d) any other part(s) of the whole energy system that the licensee views would be appropriate to include.

**Condition C7 Energy resilience and resilience reporting**

**Introduction**

1. The purpose of this condition is to ensure the licensee appropriately promotes and supports the resilience, security and flexibility of the whole energy system.

**Part A: Energy risk and threat advice**

2. The licensee must provide to the Authority and Secretary of State information and analysis on any risk or threat that the licensee has identified, where such a risk or threat may, in the licensee's view, compromise or detrimentally impact the safety, security or resilience of any significant part of the whole energy system.
3. The licensee must advise the Authority and the Secretary of State on any mitigations and remediations the licensee considers could be applied to improve whole energy system resilience or manage risks or threats identified in accordance with paragraph 2, including products, services and regulatory changes.

**Part B: Post-event and post-emergency analysis**

4. The licensee must, when requested by the Authority or the Secretary of State, provide post-event analysis and assessment where such events have impacted, or could have impacted, the licensee, consumers, or any licensed party operating across the National Electricity Transmission System, Distribution Systems or Electricity Generators.



5. The licensee must, when requested by the Authority or Secretary State, provide post-emergency analysis and assessment in respect of the National Electricity Transmission System.

### **Part C: Energy Resilience Assessment Report**

6. The licensee must provide an Energy Resilience Assessment Report to the Authority and to the Secretary of State by xx xxxx of each Regulatory Year.
7. The licensee must ensure the Energy Resilience Assessment Report includes:
  - (a) the licensee's view on emerging risks and threats:
    - (i) within 5 years;
    - (ii) in 5-10 years' time; and
    - (iii) beyond 10 years,in relation to the National Electricity Transmission System, Distribution Systems, Electricity Generators and any other part of the whole energy system that the Secretary of State may request;
  - (b) an assessment by the licensee of the likelihood and potential impact of risks and threats under paragraph 7(a); and
  - (c) any advice on mitigations that the licensee views would limit and address the impact of risks and threats under paragraph 7(a).
8. The licensee must engage with Transmission Licensees, Licensed Distributors, Electricity Generators and the Secretary of State when producing the Energy Resilience Assessment Report.

### **Part D: Emergency Processes Assessment**

9. The licensee must provide its Emergency Processes Assessment and relevant accompanying information and analysis to the Authority and the Secretary of State and such other parties the licensee considers materially impacted by the issues contained in the Emergency Processes Assessment by xx xxxxxx of each Regulatory Year.
10. The licensee must ensure its Emergency Processes Assessment outlines:
  - (a) the licensee's assessment of scenarios and best practice for emergency processes and preparedness; and
  - (b) any recommended improvements and learnings, including on the prevention of emergencies,across the National Electricity Transmission System, Distribution Systems, Electricity Generators and any other part of the whole energy system that the Secretary of State may request.
11. The licensee must engage with Transmission Licensees, Licensed Distributors, Electricity Generators, the Secretary of State and such other parties that the

licensee considers materially affected by the issues in paragraphs 10(a) and 10(b) when producing the Emergency Processes Assessment.

### **Part E: Industry Readiness and Preparedness Report**

12. The licensee must provide its Industry Readiness and Preparedness Report to the Authority, Secretary of State and such other parties the licensee considers materially affected by the issues contained in the Industry Readiness and Preparedness Report by xx xxxx and xx xxxx of each Regulatory Year.
13. The licensee must ensure its Industry Readiness and Preparedness Report outlines its assessment of the preparedness and seasonal readiness for incidents and emergencies that includes assessing persons that operate or are connected to:
  - (a) the National Electricity System;
  - (b) Distribution Systems; and
  - (c) any other part of the whole energy system that the Secretary of State may request,in respect of the winter and summer seasons that follow the date the licensee provides its Industry Readiness and Preparedness Report under paragraph 12.

### **Part F: Derogations**

14. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, and subject to such conditions, as may be specified by the Authority by direction.

## **Condition C8 EMR Arrangements**

### **Introduction**

1. The purpose of this condition is to set out the Weather Correction Methodology and the Customer and Stakeholder Satisfaction Surveys that the licensee must undertake as part of its obligations relating to its EMR Functions.

### **Part A: Weather Correction Methodology**

2. The licensee must prepare and publish the Weather Correction Methodology used for calculating the Peak National Demand.
3. The Weather Correction Methodology to be used for calculating the Peak National Demand must be the Weather Correction Methodology in place at the time each Peak National Demand Forecast was produced.
4. The Weather Correction Methodology must be published by the licensee at the same time as the Electricity Capacity Report that uses the corresponding Peak National Demand Forecast.
5. The licensee must:

- (a) write annually to the Authority, at the time of publishing the Electricity Capacity Report, setting out the steps it has taken to improve its Peak System Demand Forecast; and
- (b) publish the letter on its website as soon as reasonably practicable.

## **Part B: Customer and Stakeholder Satisfaction Surveys**

6. Unless otherwise agreed with the Authority, the licensee must carry out the Customer and Stakeholder Satisfaction Surveys at least once in each Regulatory Year to assess EMR Customer and EMR Stakeholder satisfaction with its Capacity Market (CM) and Contracts for Difference (CfD) activities.
7. If no results of a CfD allocation round were published, either in or in respect of a Regulatory Year, then the licensee is not obliged to conduct the CfD Customer and Stakeholder Satisfaction Surveys.
8. If no results of a CM auction were published, either in or in respect of a Regulatory Year, then the licensee is not obliged to conduct the CM Customer and Stakeholder Satisfaction Surveys.
9. When conducting a Customer and Stakeholder Satisfaction Survey in relation to either CM or CfD, the licensee:
  - (a) must include a question that asks for overall satisfaction with the licensee's performance of its CfD or CM activity respectively, to be rated on a scale of 1 to 10, where 1 is low and 10 is high; and
  - (b) may include such other questions as it considers appropriate.
10. The licensee must report on the outcomes of each overall EMR Customer and EMR Stakeholder satisfaction question in accordance with condition D6 (Regulatory Instructions and Guidance).
11. The licensee must publish the outcomes of each Customer and Stakeholder Satisfaction Survey on its website during the period of 3 months beginning with the date on which each Customer and Stakeholder Satisfaction Survey takes place.
12. The licensee must provide the Authority with a report on each Customer and Stakeholder Satisfaction Survey that includes:
  - (a) a list of each of the questions included, and their average scores across all respondents;
  - (b) a comprehensive summary of responses to each of the questions; and
  - (c) a detailed list of future actions the licensee will take to build on the responses received in the Customer and Stakeholder Satisfaction Surveys.
13. The Authority will review the licensee's approach to conducting the Customer and Stakeholder Satisfaction Surveys and reporting the outcome of the questions as required by paragraph 12 and provide feedback to the licensee where appropriate.

## **Condition C9 Procurement and use of Balancing Services**

### **Introduction**

1. The purpose of this condition is to set out the processes and activities the licensee must undertake for the procurement of Balancing Services, used to assist in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System to facilitate compliance with the licensee's Primary Duty and Secondary Duty.

### **Part A: Licensee's obligations under this condition**

2. The licensee may consider relevant price and technical differences between persons or classes of persons in its procurement or use of Balancing Services.
3. Having taken into account relevant price and technical differences, the licensee must not discriminate as between any persons or classes of persons in its procurement or use of Balancing Services.
4. The licensee must prepare the following:
  - (a) Procurement guidelines statement described in Part B of this condition;
  - (b) Balancing principles statement described in Part C of this condition;
  - (c) Balancing Services Adjustment Data Methodology statement described in Part D of this condition;
  - (d) System Management Action Flagging Methodology statement described in Part E of this condition;
  - (e) Applicable Balancing Services Volume Data Methodology statement described in Part F of this condition; and
  - (f) Balancing Services Annual Report in accordance with Part G of this condition.

### **Part B: Procurement guidelines statement**

5. For the preparation of the procurement guidelines statement:
  - (a) the licensee must at 12 monthly intervals (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out the kinds of Balancing Services which it may be interested in purchasing in the period until the next statement is due and the mechanisms by which it would envisage purchasing them;
  - (b) where during the term of the statement referred to in paragraph 5(a) the licensee's intentions change regarding the types of services it wishes to purchase, the licensee must review the statement and consider whether any revision to the statement is necessary and promptly seek to establish a revised statement in accordance with the terms of paragraph 23.

### **Part C: Balancing principles statement**

6. The licensee must have in place a statement approved by the Authority setting out (consistently with the licensee's obligation under paragraph 3 and consistently with its other duties under the Electricity Act 1989 and the Energy Act 2023 and the conditions of this licence) the principles and criteria by which the licensee will determine, at different times and in different circumstances, which Balancing Services the licensee will use to assist in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System in compliance with the licensee's Primary Duty and Secondary Duty and when the licensee would resort to measures not involving the use of Balancing Services;
7. The licensee must if so directed by the Authority or when any modification should be made to the statement referred to in paragraph 6 to more closely reflect the intentions of the licensee but in any event at least once a year, review the statement prepared pursuant to paragraph 6 and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraphs 22 and 23.

### **Part D: Balancing Services Adjustment Data Methodology statement**

8. Part D of this condition applies where the BSC provides that any Imbalance Price is to be determined (in whole or in part) by reference to the costs and volumes of Relevant Balancing Services.
9. Where this Part D applies, the licensee must:
  - (a) have in place a Balancing Services Adjustment Data methodology approved by the Authority;
  - (b) from time to time thereafter, when the licensee first buys, sells or acquires any Relevant Balancing Services of a kind or under a mechanism which is not covered by the prevailing Balancing Services Adjustment Data Methodology, promptly seek to establish a revised Balancing Services Adjustment Data Methodology approved by the Authority which covers that kind of Balancing Services or mechanisms for buying, selling or acquiring them;
  - (c) prepare a statement of the prevailing Balancing Services Adjustment Data Methodology as approved by the Authority; and
  - (d) at all times determine and provide (for use under the relevant provisions of the BSC) the costs and volumes of the Relevant Balancing Services in compliance with the prevailing Balancing Services Adjustment Data Methodology, which are to be taken into account in determining Imbalance Price(s) under the BSC.
10. The licensee must when any modification should be made to the statement referred to in paragraph 9(c) to more closely reflect the intentions of the licensee review the statement prepared pursuant to paragraph 9(c) and promptly seek to establish a

revised statement approved by the Authority made in accordance with terms of paragraphs 22 and 23.

**Part E: System Management Action Flagging Methodology statement**

11. Part E of this condition applies to the extent that the BSC provides that the licensee is required to identify Balancing Services which relate to System Management.
12. Where Part E applies, the licensee must in Writing:
  - (a) have in place a System Management Action Flagging Methodology approved by the Authority; and
  - (b) prepare a statement of the prevailing System Management Action Flagging Methodology as approved by the Authority, and at all times thereafter use its reasonable endeavours to identify the Balancing Services which the BSC requires it to identify as relating to System Management in accordance with the prevailing System Management Action Flagging Methodology and provide records (for use under the relevant provisions of the BSC) of those Balancing Services which the BSC requires must be taken into account in determining Imbalance Price(s).
13. The licensee must, if so directed by the Authority or when it considers that any modification should be made to the statement referred to in paragraph 12(b) more accurately to identify the Balancing Services which relate to System Management, review the statement prepared pursuant to paragraph 12(b) and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraphs 22 and 23.

**Part F: Applicable Balancing Services Volume Data Methodology statement**

14. Part F of this condition applies where the BSC provides that any Applicable Balancing Services Volume Data is to be determined (in whole or in part) by reference to the volumes of energy associated with the provision of Applicable Balancing Services.
15. Where this paragraph Part F applies the licensee must:
  - (a) have in place an Applicable Balancing Services Volume Data Methodology approved by the Authority;
  - (b) prepare a statement of the prevailing Applicable Balancing Services Volume Data Methodology as approved by the Authority; and
  - (c) at all times determine and provide (for use under the relevant provisions of the BSC) the volumes of Applicable Balancing Services in compliance with the prevailing Applicable Balancing Services Volume Data Methodology, which are to be taken into account in determining Applicable Balancing Services Volume Data under the BSC.
16. The licensee must when any modification should be made to the statement referred to in paragraph 15(b) to more closely reflect the intentions of the licensee, review

the statement prepared pursuant to paragraph 15(b) and promptly seek to establish a revised statement approved by the Authority made in accordance with the terms of paragraphs 22 and 23.

### **Part G: Preparation and publication of a Balancing Services Annual Report**

17. At the end of each Regulatory Year, the licensee must prepare a Balancing Services 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 Balancing Services.
18. Within 2 months, beginning with the end of each Regulatory Year, the licensee must submit the Balancing Services Annual Report prepared in accordance with paragraph 17 to the Authority and publish the Balancing Services Annual Report on its website as soon as is reasonably practicable.
19. Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph 18, it must seek the Authority's approval to publish a redacted version.
20. The report provided to the Authority under paragraph 18 must give particulars of:
  - (a) the Total Costs incurred for that Regulatory Year, and how the Total Costs have been calculated in respect of the Balancing Services which the licensee has bought or acquired (other than Balancing Services which the licensee has acquired through the mere acceptance of an offer or bid in the Balancing Mechanism, provided such offer or bid was not made pursuant to any prior agreement);
  - (b) how the Total Costs have been incurred in accordance with the Balancing Services statements prepared pursuant to paragraphs 5(a) and 6; 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.
21. The Balancing Services Annual Report 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 relevant approved Balancing Services statements prepared pursuant to paragraphs 5(a) and 6 together with any revision made in accordance with paragraph 22.

### **Part H: Governance**

22. Except where the Authority directs otherwise, before revising the statements prepared pursuant to paragraphs 5(a), 6, 9(c), 12(b) and 15(b) and each revision thereof the licensee must:

- (a) send a copy of the proposed revisions to the Authority and to any person who asks for one;
  - (b) consult BSC Parties on the proposed revisions and allow them a period of not less than 28 days in which to make representations;
  - (c) submit to the Authority within 7 days of the close of the consultation period referred to in paragraph 22(b) a report setting out the revisions originally proposed, the representations (if any) made to the licensee, and any changes to the revisions; and
  - (d) where the Authority directs that paragraphs 22(a), 22(b) and 22(c) or any of them must not apply, comply with such other requirements as are specified in the direction.
23. The licensee must not revise the statements referred to in paragraphs 5(a), 6, 9(c), 12(b) and 15(b) and each revision thereof until the expiry of 28 days from the date on which the Authority receives the report referred to in paragraph 22(c) unless prior to such date the Authority either:
- (a) directs the licensee to make the revisions on an earlier date; or
  - (b) directs the licensee not to make the revision.
24. The licensee must take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 6.
25. The licensee must send to the Authority a copy of each of the statements and reports prepared pursuant to Part B, Part C, Part D, Part E, Part F, and Part G and of all revisions to any such statements made in accordance with the terms of paragraphs 22 and 23.
26. The licensee must:
- (a) publish (in such manner as the Authority may approve from time to time) the statements prepared pursuant to paragraphs 5(a), 6, 9(c), 12(b) and 15(b) and each revision thereof; and
  - (b) send a copy of each statement and report prepared pursuant to Part B, Part C, Part D, Part E, Part F, and Part G or the latest revision of any such statements to any person who requests the same, provided that the licensee must exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests; and,
  - (c) for the purposes of paragraph 26(b), the licensee must refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).
27. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 26(b) of any amount reasonably reflecting the licensee's reasonable costs of providing such a copy which must not exceed the maximum



amount specified in directions issued by the Authority for the purpose of this condition.

28. The licensee must, unless the Authority otherwise consents, maintain for a period of 6 years:
  - (a) particulars of all Balancing Services offered to it;
  - (b) particulars of all contracts (other than those in the Balancing Mechanism) for Balancing Services which it entered into;
  - (c) particulars of all contracts for Balancing Services entered into by way of the acceptance of a bid or offer in the Balancing Mechanism where the bid or offer was made pursuant to a prior agreement;
  - (d) records of all Balancing Services called for and provided; and
  - (e) records of quantities of electricity imported and exported across each Interconnector(s).
29. The licensee must provide to the Authority such information as the Authority shall request concerning the procurement and use of Balancing Services.

## **Condition C10 Network Access Policy (NAP)**

### **Introduction**

1. The purpose of this condition is to set out the requirements upon the licensee to facilitate the development of, and to act consistently with, the Transmission Owners' NAP.
2. Nothing in this condition replaces, overrides or limits:
  - (a) any statutory duty imposed on the licensee;
  - (b) any other obligation of the licensee under the licence or any code, particularly in relation to the licensee's compliance with condition E4 (System Operator – Transmission Owner Code) and condition E7 (Transmission system security standard and quality of service); or
  - (c) the STC.

### **Part A: Licensee's obligations in relation to the NAP**

3. The licensee must incorporate the Transmission Owners' NAP, as approved by the Authority under special condition 9.10 (Network Access Policy) of the Transmission Licence, into its planning and operations within its licensed activities; and it must act consistently with the NAP, subject to the need to ensure the safe and secure operation of all or any part of the National Electricity Transmission System.
4. The licensee must use reasonable endeavours to assist Transmission Owners in discharging their obligations to meet the essential requirements of the NAP.

5. The licensee must use reasonable endeavours to assist Transmission Owners in amending the NAP.

## **Condition C11 Requirements of a Connect and Manage Connection**

### **Introduction**

1. The purpose of this condition is to set out the requirements on the licensee on receipt of a Connect and Manage Application and in making a Connect and Manage Offer.

### **Part A: Connect and Manage Application and Connect and Manage Offer**

2. On receipt of a Connect and Manage Application from a Connect and Manage Applicant, the licensee must comply with condition E12 (Requirement to offer terms) and in so doing must also comply with the requirements of this condition.
3. In making a Connect and Manage Offer to a Connect and Manage Applicant the licensee must:
  - (a) provide that the Connection Date shall be on completion of the Enabling Works identified by it or in accordance with any Associated TO Offer;
  - (b) determine by reference to the Connect and Manage Derogation Criteria and the relevant Connect and Manage Derogation Report whether:
    - (i) a Connect and Manage Derogation is appropriate; or
    - (ii) a dispute should be raised under the STC in respect of the Connect and Manage Derogation Report;
  - (c) ensure that any Use of System Charges to be imposed on a Connect and Manage Applicant pursuant to condition E10 (Use of system charging methodology) shall not be payable until the Connection Date and must be levied, as applicable, in accordance with paragraph 7;
4. The licensee must publish the relevant Connect and Manage Derogation Report within 2 months of the date on which the Connect and Manage Applicant accepts the Connect and Manage Offer and must provide a copy of each such report to the Authority.
5. The licensee must use best endeavours to facilitate the Enabling Works identified as required in relation to a Connect and Manage Application in a timescale which allows for a Connect and Manage Connection consistent with the Connect and Manage Applicant's reasonable expectations as to the Connection Date.
6. The licensee must use best endeavours to facilitate the Wider Works identified as required in relation to a Connect and Manage Application as soon as reasonably practicable. On completion of the Wider Works, any applicable Connect and Manage Derogation will cease to have effect.
7. The licensee must use best endeavours to ensure that in its application of the Use of System Charging Methodology in accordance with condition E10, Use of System

Charges resulting from Transmission Constraints Costs are treated by the licensee such that the effect of their recovery is shared on an equal per MWh basis by all parties liable for Use of System Charges.

8. The licensee must use best endeavours to ensure that:
  - (a) persons seeking connection other than through a Connect and Manage Application; or
  - (b) persons already connected or offered terms for connection prior to the Connect and Manage Implementation Date,are not disadvantaged without objective justification as a result of a Connect and Manage Connection.
9. The licensee must automatically make an offer to vary the Construction Agreement or the offer of Connect and Manage Transferees from their existing terms so that the relevant Construction Agreement or offer is consistent with the terms of a Connect and Manage Offer, as soon as reasonably practicable from the Connect and Manage Implementation Date and in any event by the end of the Connect and Manage Transition Period. The terms of such offers to vary the Construction Agreement or offer shall be no less advantageous to the Connect and Manage Transferee than those contained in the existing offer the licensee has made or agreement the licensee has entered into with the Connect and Manage Transferee.

#### **Part B: Provision of information to the Authority**

10. The licensee must furnish to the Authority in such manner and at such times as the Authority may reasonably require such information and must procure and furnish to it such reports as the Authority may reasonably require or as may be necessary for the purpose of monitoring the impact and effectiveness of Connect and Manage Connections. The information to be provided under this condition must not exceed that which may reasonably be requested from the licensee by the Authority under condition D3 (Provision of information to the Authority).

### **Condition C12 Production of information about the National Electricity Transmission System**

#### **Introduction**

1. The purpose of this condition is to:
  - (a) In Part A, set out the licensee's obligations related to the Electricity Ten Year Statement (ETYS);
  - (b) In Part B, set out the procedures for revision of the ETYS; and
  - (c) In Part C, set out the licensee's obligations to prepare a reasonable number of future scenarios describing the future system.

## Part A: Electricity Ten Year Statement

2. The licensee must by 30 November (or such later date as the Authority may direct) in each Financial Year, use reasonable endeavours to prepare and publish the ETYS, which is a statement of network development information in a form approved by the Authority pursuant to paragraph 10.
3. The ETYS must set out in respect of the current Financial Year and each of the 9 succeeding Financial Years: circuit capacity, forecast power flows and loading on each part of the National Electricity Transmission System and fault levels for each transmission node, together with:
  - (a) such further information as is reasonably necessary to enable any person seeking use of the National Electricity Transmission System to identify and evaluate the opportunities available when connecting to and making use of the National Electricity Transmission System;
  - (b) a commentary prepared by the licensee indicating those parts of the National Electricity Transmission System most suited to new connections and transport of further quantities of electricity;
  - (c) a commentary prepared by the licensee indicating where Major National Electricity Transmission System Reinforcements are likely to be required;
  - (d) such further information as may be necessary for: Authorised Electricity Operators, Interconnected System Operators, or any other Transmission System Operator or Distribution System Operator with whose system a Transmission Licensee's Transmission System is connected or with whom the licensee interfaces, to ensure the secure and efficient operation, coordination development and interoperability of the interconnected system;
  - (e) a reasonable number of future scenarios prepared pursuant to paragraph 14; and
  - (f) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this condition.
4. The licensee must prepare the ETYS in such a form and manner as is necessary to comply with the licensee's Primary Duty and Secondary Duty and in accordance with the further Development Information Objectives as set out in paragraph 5.
5. In preparing the ETYS, the licensee must use the future scenarios developed pursuant to paragraph 15, in such a form that sets out the Development Information Objectives, which provides:
  - (a) the licensee's best view of the design and technical characteristics of the development of the National Electricity Transmission System, considering:
    - (i) the likely development of the National Electricity Transmission System;

- (ii) the likely capacity, location and timing of the development of onshore and offshore generating stations and Interconnector(s);
  - (iii) the likely location of feasible connection points for new Offshore Transmission Systems to the National Electricity Transmission System;
  - (iv) to the extent that information is available to the licensee, possible routing options for new transmission circuits that might be used to connect generating stations and Interconnector(s) in Offshore Waters to the National Electricity Transmission System;
- (b) the licensee's best view of the potential reinforcements to the National Electricity Transmission System that may be required to connect onshore and offshore generating stations and Interconnector(s);
  - (c) the licensee's best estimates of the costs associated with connecting onshore and offshore generating stations and Interconnector(s);
  - (d) the licensee's best view of other economic and technical factors, to help planning of onshore and offshore generating stations and Interconnector(s); and
  - (e) the licensee's best view of the capacity, location and timing of the connection of new Interconnectors that would facilitate an efficient economical and coordinated system of electricity, in compliance with the licensee's Primary and Secondary duty. This should take into account the impact on GB wholesale prices, the provision of Ancillary Services, constraint management and other operational considerations;
6. The licensee must include in every ETYS prepared pursuant to paragraphs 2 and 3 the information required by those paragraphs except that the licensee may, with the prior consent of the Authority, omit from the ETYS any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the Authority, seriously and prejudicially affect the commercial interests of any Transmission Licensee or any third party.

#### **Part B: Revision of the ETYS**

7. The licensee must at least once in each Financial Year (and at such other times as the Authority may direct), in consultation with ETYS Interested Parties, review the most recent ETYS prepared and published pursuant to paragraphs 2 and 3. The consultation must be of such a form and duration to reasonably allow all ETYS Interested Parties to contribute to the preparation of the ETYS. The licensee must provide to the Authority, no later than 14 days after it has completed its consultation, copies of all of the responses that it has received to any consultation undertaken pursuant to this paragraph.
8. Following a review of the ETYS pursuant to paragraph 7, the licensee must propose to the Authority any suggested revisions to the ETYS that it considers would better facilitate compliance with the licensee's the Primary Duty and Secondary Duty and

the Development Information Objectives. Any such revisions must, as appropriate, be included in the licensee's submissions to the Authority pursuant to paragraphs 10 and 17.

9. The licensee must periodically revise (at least once every 6 months) the information set out in the ETYS prepared pursuant to paragraphs 2 and 3 to ensure that the information set out in the ETYS remains accurate in all material respects.
10. The licensee must submit to the Authority for approval the ETYS and/or any proposed revisions to the form of the ETYS by no later than by 1 June in each Financial Year or at such other date as directed by the Authority.
11. The Authority may:
  - (a) within 28 days of receipt of the licensee's proposals pursuant to paragraph 10, give a direction to the licensee that the proposed form of the ETYS or the proposed revisions to the form of the ETYS requires further development; and
  - (b) subsequently, following consultation with the licensee and other ETYS Interested Parties, direct the areas in which the licensee shall be required to make revisions to the proposed form of the ETYS and the date by which the licensee shall be required to submit a revised form of the ETYS to the Authority for approval.
12. If, within 28 days of receipt of the licensee's proposals pursuant to paragraph 10, the Authority has not given a direction to the licensee pursuant to paragraph 11, the form of the ETYS proposed by the licensee will be deemed to have been approved by the Authority.
13. The licensee must publish the ETYS on its website in such readily accessible form and manner that it considers will facilitate the Development Information Objectives, and must give a copy of the ETYS on request and free of charge.

### **Part C: Future scenarios**

14. The licensee must, in consultation with ETYS Interested Parties, prepare a reasonable number of future scenarios that it proposes to include within the ETYS. The consultation must be of such a form and duration as to reasonably allow all interested ETYS Interested Parties to contribute to the preparation of the future scenarios. The future scenarios must be reasonable, reflect uncertainties and must, as far as practicable, be consistent with scenarios that the licensee uses in other relevant areas of work.
15. Each future scenario prepared pursuant to paragraph 15 must include a description of the key assumptions made by the licensee in developing that future scenario, including, but not limited to:
  - (a) the capacity, location and timing of the connection of generating stations, having regard to information generally available in the public domain as

well as such information, if any, made available to the licensee for use in the ETYS by ETYS Interested Parties with respect to generating stations planned to be developed;

- (b) the capacity, location and timing of the connection of new Interconnectors, having regard to the overall level of Interconnector capacity between the National Electricity Transmission System and transmission systems in other jurisdictions that the licensee reasonably considers likely;
- (c) the wider development of the National Electricity Transmission System, having regard to the licensee's investment plans and investment plan information provided by other Authorised Electricity Operators; and
- (d) the plant and equipment that the licensee considers would reasonably be available to Transmission Owners and Interconnectors;

together with a description of the data used by the licensee to model each of the future scenarios.

16. The licensee must finalise the future scenarios that it proposes to use in the preparation of the ETYS it prepares pursuant to paragraphs 2 and 3, taking account of the views expressed by ETYS Interested Parties in response to the consultation undertaken by the licensee pursuant to paragraph 14.
17. The licensee must submit the following information to the Authority by no later than 31 January in each Financial Year (or such other date as the Authority may direct):
  - (a) the future scenarios, or any revisions to the future scenarios, that it proposes to include in the ETYS;
  - (b) a detailed explanation of the consultation process undertaken in the development of the future scenarios; and
  - (c) a summary of views from ETYS Interested Parties on the future scenarios and an explanation of how these responses were taken into account in the design of the future scenarios.
18. If the Authority is not satisfied that the future scenarios proposed by the licensee would facilitate the achievement of the coordinated development objective and the Development Information Objectives, the Authority may, within 28 days of receipt of the future scenarios pursuant to paragraph 17, issue a direction to the licensee that the future scenarios proposed by the licensee require further development.
19. The Authority may subsequently, following consultation with the licensee and other ETYS Interested Parties, direct the areas in which the licensee must make revisions to the future scenarios and any further consultation with ETYS Interested Parties that the licensee must undertake together with the date by which the licensee must submit those further revisions to the future scenarios to the Authority.

20. The licensee must also include in the ETYS an explanation of how responses from ETYS Interested Parties on the future scenarios were taken into account in further revisions of the future scenarios.

## **Condition C13 The Network Options Assessment (NOA) process and reporting requirements**

### **Introduction**

1. The purpose of this condition is to set out the licensee's role in assessing options for the development of the National Electricity Transmission System (including Offshore Wider Works) and Interconnector capacity including setting out:
  - (a) in Part A, the methodology underpinning the NOA process, along with how this will be approved;
  - (b) in Part B, the requirements for the publication of the annual NOA report;
  - (c) in Part C, the licensee's obligations regarding the provision of information underpinning the NOA process; and
  - (d) in Part D, the role the licensee will play in the early development of options and the circumstances in which the licensee will be required to do so.

Together, all of this constitutes the NOA process.

2. The licensee must take such steps as are within its power, and it considers may be necessary to enable the NOA process. In carrying out the NOA process, the licensee must act in a manner that best ensures transparency and independence.

### **Part A: The NOA methodology and form of the NOA report**

3. The licensee must, not less than once in each Financial Year (and at such other times as the Authority may direct), develop proposals for the NOA methodology and the form of the NOA report in consultation with interested parties. The consultation must be of such a form and duration as practicable to reasonably allow all interested parties to contribute.
4. Following any consultation pursuant to paragraph 3, the licensee must, by 1 August of each Financial Year, or at such other date as directed by the Authority, submit to the Authority for approval the proposed NOA methodology and form of the NOA report.
5. Submissions made under paragraph 4 must include:
  - (a) a detailed explanation of the consultation process undertaken in the development of the NOA methodology and the form of the NOA report;
  - (b) a summary of views from interested parties and an explanation of how these were taken into account in the development of the NOA methodology and the form of the NOA report; and



- (c) copies of any formal responses submitted to the licensee as part of its consultation process.
6. The Authority will on receipt of a submission under paragraph 4:
- (a) approve the proposed NOA methodology and/or form of the NOA report; or
  - (b) give a direction to the licensee that the NOA methodology and/or form of the NOA report requires further development, and the date by which the licensee is required to submit a revised NOA methodology and/or the form of the NOA report to the Authority for approval.
7. The NOA methodology must be designed to comply with the licensee's Primary Duty and Secondary Duty, and must include (but need not be limited to):
- (a) the approach used for determining what constitutes Major National Electricity Transmission System Reinforcements;
  - (b) the approach (which must be in accordance with paragraph 8) used for identifying and assessing options to meet system needs to facilitate compliance with the licensee's Primary Duty and Secondary Duty, as set out in the NOA report in accordance with paragraph 13;
  - (c) how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the NOA methodology; and
  - (d) details of the licensee's proposed timetable for updating and consulting on the methodology for the NOA reports.
8. The approach included in the methodology pursuant to paragraph 7(b) must include (but need not be limited to):
- (a) the approach used to assess the technical, economic and environmental impacts and risks;
  - (b) the approach used for modelling boundary capacity, Offshore Transmission capacity and Interconnector capacity along with assumptions and assessment criteria used; and
  - (c) the basis for the cost estimate provided for each option.

### **Part B: The NOA report**

9. The licensee must at least once in each Financial Year:
- (a) review the NOA report prepared and published in the previous Financial Year and consider any improvements to better facilitate compliance with the licensee's Primary Duty and Secondary Duty; and
  - (b) publish an updated NOA report by 31 January or such other date as directed by the Authority in a form approved by the Authority. This must be based on and include the latest NOA methodology approved by the Authority pursuant to paragraph 6.

10. If, following a submission of the methodology and the form of the NOA report by the date set out in paragraph 4, the Authority has not approved or directed further development of the NOA methodology and/or form of the report in accordance with paragraph 6 by 1 October, the publication date set out in paragraph 9(b) will be treated as amended accordingly. The amendment will equal the number of days between 1 October and receipt of the Authority's approval or direction.
11. The licensee must publish the NOA report on its website in such readily accessible form and manner that it considers will facilitate effective development of the National Electricity Transmission System, and provide a copy of the NOA report on request, and free of charge, to any person who asks for one.
12. In complying with the requirements of paragraph 11, the licensee must have due regard to the need for excluding from the NOA report any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any omission of information from the NOA report.
13. Each NOA report must be produced using the latest available data and in accordance with the methodology established pursuant to paragraph 7, and must, in respect of the Financial Year in which the report is published and each of the 9 succeeding Financial Years:
  - (a) set out the licensee's best view of the options for Major National Electricity Transmission System Reinforcements and additional Interconnector capacity that could meet the needs identified in the Electricity Ten Year Statement (ETYS) and facilitate compliance with the licensee's Primary Duty and Secondary Duty, including (but not limited to) any:
    - (i) options for Non Developer-Associated Offshore Wider Works;
    - (ii) options that involve construction of new transmission capacity;
    - (iii) options that do not involve, or involve minimal, construction of new transmission capacity;
    - (iv) options based on commercial arrangements with users to provide Transmission Services and Balancing Services;
    - (v) options that require liaison with a Licensed Distributor on Distribution System solutions;
    - (vi) options recommended previously by the licensee to proceed but which have not been progressed by the Transmission Licensee to which the recommendation was given;
    - (vii) options that cross the boundaries of two or more Transmission Licensee's Transmission Areas; and
    - (viii) options suggested by other interested persons.
  - (b) set out, in accordance with paragraph 14, the licensee's best view of the relative suitability of each option or combination of options set out

pursuant to paragraph 13, for facilitating compliance with the licensee's Primary Duty and Secondary Duty.

- (c) set out the licensee's recommendations on which, if any, of the option(s) set out pursuant to paragraph 13(a) should be developed further to facilitate compliance with the licensee's Primary Duty and Secondary Duty.
  - (d) set out the licensee's best view of which, if any, of the options recommended pursuant to paragraph 13(c) comprise assets some or all of which satisfy the criteria in the Guidance on the Criteria for Competition, being a document of that name issued and updated by the Authority from time to time, following consultation;
  - (e) set out the licensee's best view of which, if any, connections (or modifications to existing connections) which arise from applications made for the purposes of condition E12 (Requirement to offer terms), comprise assets some or all of which satisfy the criteria in the Guidance on the Criteria for Competition, being a document of that name issued and updated by the Authority from time to time, following consultation;
  - (f) be consistent with the ETYS and where requested by the Authority align with the Ten Year Network Development Plan and, in the event of any material differences between the Ten Year Network Development plan and the NOA report an explanation of the difference and any associated implications must be provided; and
  - (g) have regard to interactions with existing agreements with parties in respect of developing the National Electricity Transmission System and changes in system requirements.
14. The licensee's best view, set out pursuant to paragraph 13(b), must include (but need not be limited to) the licensee's assessment of the impact of different options on the National Electricity Transmission System and the licensee's ability to coordinate and direct the flow of electricity onto and over the National Electricity Transmission System in compliance with the licensee's Primary Duty and Secondary Duty.

### **Part C: Provision of information**

15. Based on the NOA methodology set out in Part A, the licensee must provide Transmission Licensees and Interconnector Developers, if requested to do so, with:
- (a) information and analysis to support them in their decision-making and development of options to meet system needs as identified in the ETYS. This must include information on the potential for coordination between parties where the licensee's analysis suggests coordination could facilitate compliance with the licensee's Primary Duty and Secondary Duty. The licensee must provide this information and analysis in such form and within such timescales as Transmission Licensees and Interconnector Developers

may reasonably request and which is necessary to support these parties' decision making and development of options;

(b) its assessment of the options that a party is considering for Major National Electricity Transmission System Reinforcements and Interconnectors, as well as its assessment of any alternative options being considered by other parties. The licensee must provide the assessment in such form and within such timescales as Transmission Licensees and Interconnector Developers may reasonably request, and which is necessary to support these parties' decision making; and

(c) updated information and analysis to support submissions to the Authority in such form and within such timescales as Transmission Licensees and Interconnector Developers may reasonably request, and which is necessary to support these parties' submissions to the Authority.

16. In complying with the requirements of paragraph 15, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.
17. Based on the NOA methodology set out in Part A, the licensee must if requested submit to the Authority the information it has provided to parties under paragraph 15. This must include, but need not be limited to, information to support a needs case for a strategic wider works output, a Needs Case for Developer-Associated Offshore Wider Works and any Interconnector Developers submission to the Authority. The licensee must also submit any additional information requested by the Authority. The licensee's submissions must be made in timescales consistent with related submissions from other parties to the Authority, and as directed by the Authority.
18. In relation to Interconnectors, based on the NOA methodology set out in Part A, the licensee must submit to the Authority, within the timescales directed by the Authority, information on:
  - (a) the efficiency of the connection choices made by Interconnector Developers, based on the licensee's involvement in assessing different options, including the costs of any necessary reinforcements required to connect Interconnectors to the National Electricity Transmission System;
  - (b) the licensee's assessment of the impact of new Interconnectors on system operation. This should include costs and benefits relating to provision of security of supply including Ancillary Services, constraint management and other operational factors, which may accrue to the licensee and to consumers; and

(c) the licensee's assessment of changes in wholesale prices as a result of Interconnector flows and the impact of these changes on GB consumers, generators and Interconnectors.

19. The Authority may direct the licensee to submit information to the Authority, additional to the information provided by the licensee to the Authority, pursuant to paragraphs 17 and 18, within such timeframe as the Authority may require.

#### **Part D: Early development of options**

20. The licensee must undertake early development (in accordance with paragraph 21(b)) of any option which it intends to set out pursuant to paragraph 13(a) where early development is not carried out by a Transmission Licensee. Without prejudice to the generality of the first sentence of this paragraph, examples of the types of option for which the licensee may need to undertake early development include those set out in paragraphs 13(a)(i) to 13(a)(viii).

21. For the purposes of paragraph 20:

(a) early development may be limited to desktop works; and

(b) early development must be undertaken in a manner which:

(i) enables the licensee to adequately compare, in accordance with paragraph 21(b), the options that it sets out pursuant to paragraph 13(a);

(ii) is consistent with the NOA methodology set out by the licensee in accordance with paragraphs 7 and 8; and

(iii) is transparent.

### **Condition C14 Electricity Network Innovation Strategy**

#### **Introduction**

1. The purpose of this condition is to oblige the licensee to work with other parties to develop an Electricity Network Innovation Strategy.

2. This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Electricity Network Innovation Strategy.

#### **Part A: Requirement to create and maintain an Electricity Network Innovation Strategy**

3. The licensee must develop and maintain an Electricity Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of an Electricity Network Innovation Strategy.

4. The licensee must use reasonable endeavours to work with all other Relevant Network Licensees to ensure that the Electricity Network Innovation Strategy is

reviewed every 2 years and where necessary, in the majority view of the Relevant Network Licensees, is updated.

## **Part B: Electricity Network Innovation Strategy**

5. The Electricity Network Innovation Strategy must:
  - (a) set out the procedures for updating the Electricity Network Innovation Strategy, which must include the requirement to consult with Network Innovation Interested Parties in accordance with Part C and the biennial review referred to in paragraph 4;
  - (b) be updated in accordance with the procedures referred to in paragraph 5; and
  - (c) be readily accessible to the public from the licensee's website.
6. The Electricity Network Innovation Strategy must include:
  - (a) a description of the challenges and uncertainties which the Relevant Network Licensees consider are pertinent to the electricity network over different time periods, that could be addressed through innovative projects;
  - (b) a description of the challenges, which are not currently being addressed through innovative projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Network Innovation Interested Parties;
  - (c) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in order to address the challenges referred to in paragraph 6(a), with particular regard to how future Innovation Projects that the Relevant Network Licensees will seek to initiate over the period of the Electricity Network Innovation Strategy will help to address those challenges;
  - (d) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in relation to the gaps identified in paragraph 6(b), with particular regard to how future Innovation Projects that the Relevant Network Licensees will seek to initiate over the period of the Electricity Network Innovation Strategy will help to address those gaps. Consideration must be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to a gap identified in paragraph 6(b), a reason must be provided as part of this description;
  - (e) a description of how the Relevant Network Licensees will coordinate their activities on the Innovation Projects to minimise unnecessary duplication of effort;
  - (f) a description of how the Relevant Network Licensees will share the learning that they have gained through the Innovation Projects; and

- (g) any directions related to the Electricity Network Innovation Strategy issued by the Authority.

### **Part C: Consultation**

- 7. The licensee must, in cooperation with the Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Network Innovation Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Electricity Network Innovation Strategy. This includes stakeholders in the following sectors:
  - (a) electricity;
  - (b) gas;
  - (c) heat;
  - (d) refuse;
  - (e) telecoms;
  - (f) transport; and
  - (g) water and wastewater.
- 8. The licensee must include in the Electricity Network Innovation Strategy:
  - (a) a description of the Network Innovation Interested Parties and the stakeholders referred to in paragraph 7, with whom it has consulted; and
  - (b) its analysis of any representations relevant to the requirements set out in paragraph 6, received in response to the consultation.

## **Section D: Provision of advice and information**

### **Condition D1 Provision of ISOP Advice**

#### **Introduction**

1. The purpose of this condition is to set out the licensee's obligations and reporting requirements in connection with the provision of ISOP Advice.

#### **Part A: ISOP Advice to the Authority and to a Minister of the Crown**

2. The licensee must have regard to the provisions set out in the ISOP Advice Process Document when providing ISOP Advice in accordance with section 168 of the Energy Act 2023.

#### **Part B: Further obligations regarding ISOP Advice**

3. The licensee must retain:
  - (a) a record of each request, and any modified requests, for ISOP Advice, and a copy of all ISOP Advice provided;
  - (b) a copy of correspondence related to ISOP Advice provided, and correspondence related to each request, or modified request, referred to in paragraph 3(a); and
  - (c) a record of any request for ISOP Advice that has been refused and any correspondence related to such a refusal.
4. The licensee must provide to the Authority such records, maintained pursuant to paragraph 3, as the Authority or Secretary of State may request.
5. The licensee must, if so requested by the Authority, give reasoned comments on the accuracy and text of any summary or explanation of any ISOP Advice that the Authority proposes to publish in accordance with section 35 of the Gas Act 1986 or section 48 of the Electricity Act 1989

### **Condition D2 Information requests by the licensee**

#### **Introduction**

1. The purpose of this condition is to set out the obligations and requirements in connection with the licensee's power to request information under section 169 of the Energy Act 2023.
2. This condition also provides for the ISOP Information Request Statement that sets out further detail on the process the licensee expects to follow when requesting information.



## **Part A: Information requests**

3. When the licensee acts in accordance with section 169 of the Energy Act 2023, the licensee must comply with the obligations in this condition and the ISOP Information Request Statement as approved by the Authority.

## **Part B: ISOP Information Request Statement**

4. The licensee must by the date that this licence comes into effect (or such later date as the Authority may direct) prepare and submit to the Authority for approval an ISOP Information Request Statement.
5. The ISOP Information Request Statement must include, but need not be limited to, the following matters:
  - (a) the process the licensee expects to follow when issuing an information request notice, including any further detail around the expected engagement between the licensee and recipient of an information request notice; and
  - (b) the details to be included in an information request notice issued by the licensee.
6. The licensee must keep the ISOP Information Request Statement under review and determine if any amendment should be made to the ISOP Information Request Statement, to better facilitate the licensee to act in accordance with section 169 of the Energy Act 2023.
7. Where the licensee determines that the ISOP Information Request Statement should be amended, or if directed to do so by the Authority, the licensee must amend the ISOP Information Request Statement.
8. Unless otherwise directed by the Authority, before preparing a new ISOP Information Request Statement under paragraph 4, or amending the ISOP Information Request Statement, the licensee must:
  - (a) provide a copy of the proposed new or amended ISOP Information Request Statement to the Authority;
  - (b) consult for a period not less than 28 days with interested parties; and
  - (c) within 14 days of the close of the consultation, submit to the Authority a report setting out:
    - (i) the proposed amendments;
    - (ii) any representations made and not withdrawn; and
    - (iii) any change to the amendments proposed as a result of such representations.
9. During the period of 28 days beginning with the date of the receipt of the report under paragraph 8(c) and ISOP Information Request Statement under paragraph 8(a) the Authority will:

- (a) approve the new or amended ISOP Information Request Statement proposed by the licensee;
  - (b) reject the proposed new or amended ISOP Information Request Statement and set out the reasons for such rejection; or
  - (c) request more information from the licensee and then approve or reject the proposed amendments to the ISOP Information Request Statement within 28 days of receipt of information that the Authority considers satisfies its request.
10. The licensee must publish the new or amended ISOP Information Request Statement, as approved by the Authority, on the licensee's website.
11. The requirements of paragraphs 8, 9, and 10 may be satisfied by actions taken by the licensee and the Authority before this licence comes into effect as well as after.

### **Part B: Reporting requirements**

12. The licensee must, unless the Authority otherwise consents, maintain for a period of 6 years a record of information requests issued pursuant to section 169 of the Energy Act 2023, including:
- (a) a copy of the information request notice;
  - (b) any subsequent variations to the original information requested;
  - (c) the recipient's response(s) to the notice, including any refusal or challenges to the notice or requested information;
  - (d) the time taken for the recipient to provide the requested information;
  - (e) the manner and form the information was provided in; and
  - (f) the information provided in response to the notice, and whether such information complied, in the licensee's view, with the notice issued or varied by the licensee.
13. The licensee must provide to the Authority such records, maintained in accordance with paragraph 12, as the Authority may request.

## **Condition D3 Provision of information to the Authority**

### **Introduction**

1. The purpose of this condition is to set out the obligations by which the licensee provides information and reports to the Authority for the Authority to perform certain functions.

### **Part A: Provision of Information to the Authority**

2. Subject to paragraphs 3 and 6, the licensee must provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and must procure and provide to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:

- (a) any functions transferred to or conferred on the Authority by or under the Utilities Act 2000; and
- (b) the regulatory functions conferred on the Authority by or under any other statute or enactment.

### **Part B: Further obligations regarding information provision**

- 3. The licensee shall not be required by the Authority to provide under this condition, information for the purpose of the exercise of its functions under section 47 of the Electricity Act 1989 or section 34 of the Gas Act 1986.
- 4. The licensee must, if so requested by the Authority, give reasoned comments on the accuracy and text of any summary or explanation of any information or advice (so far as relating to its ISOP Business) which the Authority proposes to publish pursuant to section 48 of the Electricity Act 1989 or section 35 of the Gas Act 1986.
- 5. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
- 6. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or in accordance with any statute, enactment or any other condition. There is a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in Writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

## **Condition D4 Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner**

### **Introduction**

- 1. The purpose of this condition is to set out the information and assistance as is required by the Authority in relation to:
  - (a) in Part A, any application, offer, agreement or variation to contractual terms made under condition E12 (Requirement to offer terms) requiring the appointment of an Offshore Transmission Owner;
  - (b) in Part B, the rationale for including Developer-Associated Offshore Wider Works in an offer made under paragraph 4 of condition E12 requiring the appointment of an Offshore Transmission Owner.

### **Part A: Provision of information and assistance to the Authority**

- 2. The licensee must provide to the Authority information relating to:

- (a) any application made under condition E12 that would require the appointment of an Offshore Transmission Owner, including the licensee's initial view on whether Developer-Associated Offshore Wider Works are anticipated in relation to the application;
  - (b) any offer made under condition E12 that would require the appointment of an Offshore Transmission Owner and that includes Developer-Associated Offshore Wider Works;
  - (c) any agreement entered into under condition E12 that requires the appointment of an Offshore Transmission Owner, specifying, where relevant, if Developer-Associated Offshore Wider Works are included in or affected by the variation(s); and
  - (d) any agreed variation to the contractual terms entered into under condition E12 that requires the appointment of an Offshore Transmission Owner, specifying, where relevant, if Developer-Associated Offshore Wider Works are included in or affected by the variation(s).
3. The licensee must submit to the Authority information equivalent to an application in accordance with the STC, made by the licensee to a Transmission Licensee under paragraph 1 or of standard condition D4A (Obligations in relation to offers for connection etc) of the Transmission Licence, in respect of an application made under condition E12 that requires the appointment of an Offshore Transmission Owner.
  4. The licensee must provide to the Authority information in electronic form produced by the licensee that the licensee considers provides an appropriate representation of the National Electricity Transmission System, for the conditions on the National Electricity Transmission System relevant to each agreement notified pursuant to paragraph 2(c) and in sufficient detail to enable other parties to undertake Offshore Transmission System design work.
  5. The licensee must provide to the Authority information describing any other design options considered by the licensee that are relevant to each agreement notified pursuant to paragraph 2(c).
  6. The licensee must provide the information required under paragraphs 2, 3, 4, and 5 without specific request from the Authority and within 10 Business Days of the date of the application or offer made or agreement entered into or variation to contractual terms agreed, under condition E12.
  7. The Authority may require the licensee to provide additional information as the Authority may reasonably require or as may be necessary, for the purposes of appointing an Offshore Transmission Owner. The licensee must agree with the Authority an indicative timetable for additional information provision during a tender exercise.
  8. The licensee must provide the Authority with assistance in assessing Offshore Transmission System designs proposed during a tender exercise, equivalent to that

provided to other STC Parties in respect of an application in accordance with the STC. Such assistance may include (but is not limited to) the licensee:

- (a) carrying out an economic impact assessment of proposed Offshore Transmission System designs;
- (b) assessing the impact of proposed Offshore Transmission System designs that require a change to the assumptions made by the licensee in preparing the offer made under condition E12; and
- (c) advising on any constraints relevant to the carrying out of the works necessary to connect proposed Offshore Transmission System designs to the National Electricity Transmission System.

9. The licensee must:

- (a) where an Offshore Transmission System has not been constructed or installed by an Offshore Transmission Owner, provide a Completion Notice to the Authority in respect of that Offshore Transmission System on the same date that any electricity generated by the relevant generating station connected to that Offshore Transmission System is permitted to be transmitted over that Offshore Transmission System onto the Total Electricity System in accordance with the Grid Code; or
- (b) in all other cases, notify the Authority within 10 Business Days of the completion of any Offshore Transmission System.

10. The licensee must not be required by the Authority to provide under this condition, information for the purpose of the exercise of its functions under section 47 of the Electricity Act 1989.

11. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.

12. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or in accordance with any other condition. There is a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in Writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

#### **Part B: Provision of information to the Authority in relation to the assessment of Developer-Associated Offshore Wider Works**

13. When providing information to the Authority under paragraph 2(b), the licensee must provide:

- (a) information on the works detailed in the offer to enter into a Bilateral Agreement and/or Construction Agreement made under condition E12,

including its initial view of the scale and cost of any Developer-Associated Offshore Wider Works together with relevant information from discussions with Transmission Owners and Developers as appropriate; and

(b) the licensee's initial view of the Needs Case for the Developer-Associated Offshore Wider Works detailed in the offer.

14. On receipt of information under paragraph 2(c) that an agreement which includes Developer-Associated Offshore Wider Works has been entered into under condition E12, the Authority will direct the licensee to submit such information as the Authority considers necessary to enable it to assess and make a decision on the rationale for inclusion of Developer-Associated Offshore Wider Works in the scope of the agreement. This may include a requirement to submit a more detailed Needs Case and information collated by the licensee from other licensees or other relevant parties.
15. The Authority will, following discussions with the licensee, direct the timescales within which the licensee is to submit the information required under paragraph 14.
16. The licensee must keep under review any Needs Case submitted to the Authority in accordance with paragraph 14 from the date of submission until the Developer-Associated Offshore Wider Works are deemed to be Commissioned. The licensee must notify the Authority of any material changes to the Needs Case or to the circumstances in which the Bilateral Agreement and/or Construction Agreement was made within 10 Business Days of the licensee becoming aware of such change.
17. The Authority may, following notification given to it under paragraph 16, require the licensee to provide such additional information as may be necessary for the purposes of enabling the Authority to decide on the continuing rationale for inclusion of Developer-Associated Offshore Wider Works in the scope of the Bilateral Agreement and/or Construction Agreement. The Authority will direct a timetable for provision of additional information under this paragraph.

## **Condition D5 Data assurance requirements**

### **Introduction**

1. The purpose of this condition is to set out the processes and activities the licensee must undertake to reduce the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority, and the processes the Authority will follow in issuing and amending the Data Assurance Guidance (DAG).

### **Part A: Obligations as regard data assurance requirements**

2. The licensee must:
  - (a) comply with the provisions of the DAG;

- (b) where required to provide DAG Data under the provisions of this licence, provide DAG Data which complies with the requirements set out in the DAG;
  - (c) subject to paragraph 3, where required to provide DAG Data under the provisions of this licence, provide accurate and complete DAG Data;
  - (d) carry out a Risk Assessment in accordance with such provisions and timescales as are specified for that purpose in the DAG, and ensure that it has used its best endeavours to mitigate such risks as it has identified in the Risk Assessment;
  - (e) if directed by the Authority, procure an independent review of its Data Assurance Activities in accordance with such provisions and timescales as are specified for that purpose in the DAG; and
  - (f) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the DAG, reports that contain:
    - (i) the results of the licensee's Risk Assessment;
    - (ii) a description of the Data Assurance Activities that the licensee intends to undertake concerning expected future DAG Data submissions for the relevant reporting period set out in the DAG;
    - (iii) a description of the Data Assurance Activities undertaken by the licensee concerning previously submitted DAG Data for the relevant reporting period set out in the DAG; and
    - (iv) if required, the details and results of the independent review procured by the licensee of its Data Assurance Activities.
3. DAG Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition.
4. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 2.

#### **Part B: Data Assurance Guidance (DAG)**

5. The Authority will issue and amend the DAG by direction.
6. The Authority will publish the DAG on the Authority's Website.
7. The DAG will make provision for any of the following matters:
- (a) the DAG Data to which the Risk Assessment applies;
  - (b) the format (including its form, layout, scope and content) of the Risk Assessment;
  - (c) the frequency with which and the timescales within which the Risk Assessment is required to be carried out;

- (d) the format (including its form, layout, scope and content) of any independent review that may be required of the licensee's Data Assurance Activities and the associated reporting requirements;
  - (e) the format (including its form, layout, scope and content) of the reporting requirements detailed in paragraph 2(f);
  - (f) the frequency with which and the timescales within which the licensee should report on its Data Assurance Activities to the Authority; and
  - (g) the time period(s) to which required reports must relate.
8. The provisions of the DAG will not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions relative to the impact on consumers from data reporting errors.
9. Information requested by the Authority under or pursuant to the requirements of the DAG will not exceed what could be requested from the licensee by the Authority under condition D3 (Provision of information to the Authority).
10. Before issuing or amending the DAG by direction the Authority will publish on the Authority's Website:
- (a) the proposed text of the new or amended DAG;
  - (b) the date on which the Authority intends the new or amended DAG to come into effect;
  - (c) the reasons for the new or amended DAG; and
  - (d) the period during which representations may be made on the new or amended DAG, which will not be less than 28 days.

**Part C: Licensee's obligation to carry out a Data Assurance Activity**

11. The licensee must comply with any direction by the Authority requiring the licensee to carry out (or, where appropriate, procure and facilitate the carrying out of) such Data Assurance Activity as may be specified in the direction.
12. Before issuing a direction under paragraph 11 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
  - (b) the date on which the Authority intends the direction to come into effect;
  - (c) the reasons why it proposed to issue the direction; and
  - (d) the period during which representations may be made on the proposed direction which will not be less than 28 days.
13. The direction will set out:
- (a) a description of the Data Assurance Activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the



purpose of ensuring the accuracy and completeness of data provided to the Authority;

- (b) if necessary, the steps that must be taken by the licensee to procure and facilitate the carrying out of the activity under paragraph 13(a) by any such nominated person;
- (c) a description of the DAG Data to which the activity described in the direction must apply;
- (d) an explanation of why the Authority requires the licensee to carry out that activity;
- (e) any relevant dates by which that activity must be completed; and
- (f) the form and content of any information relating to that activity that the licensee must provide to the Authority.

#### **Part D: Derogations**

14. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

### **Condition D6 Regulatory Instructions and Guidance (RIGs)**

#### **Introduction**

1. The purpose of this condition is to set out the scope, contents and common governance arrangements for the Regulatory Instructions and Guidance (RIGs).

#### **Part A: The RIGs**

2. The Authority will issue and amend the RIGs by direction.
3. The Authority will maintain a current version of the RIGs on the Authority's Website.
4. Subject to paragraphs 5 and 6, the RIGs will make provision for:
  - (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing Specified Information;
  - (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of Specified Information (including different classes of such information);
  - (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards under paragraph 4(b);
  - (d) the methodology for calculating or deriving numbers comprising Specified Information;

- (e) provision with respect to the meaning of words and phrases used in defining Specified Information;
  - (f) requirements as to the form and manner in which, or the frequency with which, Specified Information must be recorded;
  - (g) requirements as to the form and manner in which, or the frequency with which, Specified Information must be provided to the Authority;
  - (h) requirements as to which (if any) of the Specified Information is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person;
  - (i) requirements as to the circumstances in which the Authority may appoint a RIGs Examiner to examine the recording of the Specified Information by the licensee;
  - (j) a statement on whether and to what extent each category of the Specified Information is required for the purposes of the RIGs;
  - (k) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs: and
  - (l) instructions and guidance on the standards of accuracy and reliability that are applicable to the commentary that supports the information provided by licensees under the RIGs (to enable the Authority to assess efficiency and delivery of value to consumers).
5. The provisions of the RIGs will not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions.
6. No Specified Information will exceed what could be requested from the licensee by the Authority under paragraph 2 of condition D3 (Provision of information to the Authority) excluding any reference to paragraph 3 of that condition.
7. Before issuing new RIGs or amending the RIGs, the Authority will publish on the Authority's Website:
- (a) the proposed text of the new or amended RIGs;
  - (b) the date on which the Authority intends the new or amended RIGs to come into effect;
  - (c) the reasons for the new or amended RIGs; and
  - (d) the period during which representations may be made on the new or amended RIGs which will not be less than 28 days.
8. The requirements of paragraph 7 of this condition may be satisfied by action taken by the Authority before, as well as by action taken after this licence condition comes into effect.

## **Part B: Compliance with the RIGs**

9. The licensee must comply with the RIGs.
10. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to:
  - (a) estimate, measure, and record Specified Information; and
  - (b) provide Specified Information to the Authority in accordance with the RIGs.
11. The accounting records and other records kept by the licensee with respect to the Specified Information must be:
  - (a) separately identified and reasonably attributed as between the ISOP Business and the business of any ISOP Affiliate or ISOP Related Undertaking of the licensee; and
  - (b) maintained for a period of 8 years, or such shorter period as set out in the RIGs, from the date that they are made.
12. The licensee must take all reasonable steps to validate and check that the Specified Information is complete, reliable and meets the standards prescribed by the RIGs.
13. The licensee must, on or before each submission date, write to the Authority to confirm that, in its opinion, the Specified Information in respect of each Regulatory Year meets the standards prescribed by the RIGs.
14. Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

## **Part C: Requirements for new or more detailed information**

15. This Part C applies if any new or amended RIGs have the effect of introducing a requirement to provide:
  - (a) a new category of Specified Information; or
  - (b) an existing category of Specified Information to a greater level of detail, which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.
16. Where this Part C applies, the licensee may provide estimates to the Authority in respect of the relevant category of Specified Information for any Regulatory Year specified by the Authority.
17. The estimates referred to in paragraph 16 of this condition may be derived from such other information available to the licensee as may be appropriate for that purpose.

## **Part D: Derogations**

18. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

DRAFT

## **Section E: Industry codes and charging**

### **Condition E1 Balancing and Settlement Code (BSC)**

#### **Introduction**

1. The purpose of this condition is to:
  - (a) in Part A, describe the Balancing and Settlement Code (BSC), which is a document that sets out terms between the BSC Parties;
  - (b) in Part B, establish the requirements for modification of the BSC;
  - (c) in Part C, describe the self-governance route for modification of the BSC;
  - (d) in Part D, establish the requirements related to a Significant Code Review; and
  - (e) in Part E, establish the licensee's obligations in respect of the BSC Framework Agreement.

#### **Part A: Description of the BSC**

2. The licensee must have in force a BSC, being a document:
  - (a) setting out the terms of the Balancing and Settlement Arrangements described in paragraph 12;
  - (b) designed so that the Balancing and Settlement Arrangements facilitate achievement of the Applicable BSC Objectives set out in paragraph 13;
  - (c) including the modification procedures required by paragraphs 18 to 30;
  - (d) including the matters required by paragraph 14;
  - (e) establishing the BSC Code Administrator and setting out the BSC Code Administrator's powers, duties and functions, which must:
    - (i) include a requirement that, in conjunction with other code administrators, the BSC Code Administrator will maintain, publish, review and (where appropriate) amend the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
    - (ii) include facilitating the matters required by paragraphs 18 and 14;
    - (iii) have regard to and, in particular to the extent that they are relevant, be consistent with the principles contained in, the Code of Practice;
  - (f) establishing the BSC Panel and whose composition must include:
    - (i) an independent chairperson approved by the Authority; and
    - (ii) a consumer representative (appointed by Citizens Advice, Citizens Advice Scotland, Consumer Scotland, or any successor body) who has a vote as specified in the BSC,

and the licensee shall be taken to comply with this paragraph by modifying the BSC in accordance with the provisions of paragraphs 18 and 32.

3. The BSC must also include provisions about:
  - (a) arrangements for the operation of any reconciliation mechanism established by the Secretary of State under section 11 of the Energy Act 2010 in connection with a scheme for reducing fuel poverty, where the operator of the reconciliation mechanism is the BSCCo (as referred to in paragraph 4) or an Affiliate of the BSCCo; and
  - (b) arrangements that facilitate the operation of Contracts for Difference and arrangements that facilitate the operation of a Capacity Market pursuant to EMR Legislation.
4. The licensee must be the sole shareholder of the Balancing and Settlement Code Company (BSCCo) to provide and procure facilities, resources and services required for the proper, effective and efficient implementation of the BSC.
5. The BSC must not include provisions that prevent or restrict the BSCCo or any Affiliate of the BSCCo from:
  - (a) operating the reconciliation mechanism referred to in paragraph 3(a); or
  - (b) undertaking the calculation, collection, administration and settlement of amounts payable or arising in respect of Contracts for Difference and capacity agreements entered into pursuant to EMR Legislation.
6. The BSC may include provisions allowing the BSCCo or any Affiliate of the BSCCo to undertake activities other than those referred to in paragraphs 2, 3 and 6, subject to Authority consent.
7. As from 1 April 2018, the Balancing and Settlement Arrangements in the BSC shall comply with the Transmission Losses Principle.
8. As from 1 April 2018, the licensee must ensure that the imbalances referred to in paragraph 12(b)(ii) are calculated in compliance with Article 4 of The Energy Market Investigation (Electricity Transmission Losses) Order 2016.
9. The licensee must use its best endeavours to ensure that the BSC is modified in accordance with the EMI Modification Proposal and implemented no later than 1 April 2018.
10. Notwithstanding paragraph 9 the BSC, including any provisions introduced in accordance with the EMI Modification Proposal, may thereafter be modified from time to time in accordance with the provisions of paragraphs 18 and 32 so as to further the Applicable BSC Objectives in paragraph 13.
11. Paragraph 8 will cease to have effect once the EMI Modification Proposal has been implemented.
12. The Balancing and Settlement Arrangements are:

- (a) arrangements pursuant to which BSC Parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the Total Electricity System at any time or during any period so as to assist the licensee in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System and balancing the National Electricity Transmission System; and for the settlement of financial obligations (between BSC Parties, or between BSC Parties and the licensee) arising from the acceptance of such offers or bids; and
- (b) arrangements:
- (c) for the determination and allocation to BSC Parties of the quantities of electricity delivered to and taken off the Total Electricity System, and
- (d) which set, and provide for the determination and financial settlement of, obligations between BSC Parties, or (in relation to the Electricity System Operator's role in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System) between BSC Parties and the licensee, arising by reference to the quantities referred to in - paragraph 12(b)(i), including the imbalances (after taking account of the arrangements referred to in paragraph 12(a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC Parties.

13. The Applicable BSC Objectives referred to in paragraph 2(b) are:

- (a) the efficient discharge by the licensee of obligations imposed upon it by this licence;
- (b) the efficient, economic and coordinated operation of the National Electricity Transmission System;
- (c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
- (d) promoting efficiency in the implementation and administration of the Balancing and Settlement Arrangements described in paragraph 9;
- (e) compliance with the Electricity Regulation and any Relevant Legally Binding Decision of the European Commission and/or the Agency;
- (f) implementing and administering the arrangements for the operation of Contracts for Difference and arrangements that facilitate the operation of a Capacity Market pursuant to EMR Legislation; and
- (g) compliance with the Transmission Losses Principle.

14. The BSC must provide for:

- (a) a copy of the BSC to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;
- (b) the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC, such matters arising under the BSC as may be specified in the BSC;
- (c) information about the operation of the BSC and the Balancing and Settlement Arrangements:
  - (i) to be provided to the Authority; and/or
  - (ii) to be published,

and for the licensee to be empowered to secure compliance with these requirements if so directed by the Authority.

- 15. The provisions of paragraphs 14 and 33 shall not limit the matters which may be provided for in the BSC.
- 16. The Authority may direct the licensee to procure the provision to the Authority of, or the publication of, such information about the operation of the BSC and/or the Balancing and Settlement Arrangements as is referred to in paragraph 15(c) and specified in the direction.
- 17. The licensee must comply with:
  - (a) the BSC; and
  - (b) any direction to the licensee made pursuant to this condition.

#### **Part B: BSC modification procedures**

- 18. The BSC must include procedures for its own modification (including procedures for the modification of the modification procedures themselves), which procedures must provide:
  - (a) subject to paragraphs 24 and 25, for proposals for modification of the BSC to be made by the licensee, BSC Parties, the Authority (in relation only to modifications within the scope of paragraph 31), and such other persons or bodies as the BSC provides;
  - (b) for proposals for modification of the BSC to be made by the licensee in accordance with a direction issued by the Authority pursuant to paragraphs 18(f), 26 (the "Significant Code Review route") and 19(b);
  - (c) for the implementation of modification proposals without the Authority's approval in accordance with paragraphs 19 (the "self-governance route") and 22;
  - (d) for the provision by the BSC Code Administrator of assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, Small Participants and consumer representatives) that request



the BSC Code Administrator's assistance in relation to the BSC including, but not limited to, assistance with:

- (i) drafting a modification proposal;
  - (ii) understanding the operation of the BSC;
  - (iii) their involvement in, and representation during, the modification procedure processes (including but not limited to BSC Panel and/or workgroup meetings) as required by this condition, specified in the BSC, or described in the Code of Practice; and
  - (iv) accessing information relating to modification proposals and/or modifications;
- (e) for modification proposals made by the Authority or the licensee in accordance with paragraphs 18(a), 18(b) and 18(f)(i) respectively, which fall within the scope of paragraph 31:
- (i) to be accepted into the BSC modification procedures by the BSC Panel;
  - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
  - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 18(f);
- (f) for compliance by the licensee and (where applicable) the BSC Panel with any directions(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to a modification proposal which falls within the scope of paragraph 31) for the:
- (i) licensee to raise a modification proposal; and/or
  - (ii) completion of each of the proposal steps outlined in paragraph 18 or 29, to the extent that they are relevant; and/or
  - (iii) implementation of a modification.
- (g) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 23 (the "fast track self-governance route");
- (h) except in the case of a modification falling within the scope of paragraph 28 or 23, where a proposal is made in accordance with paragraphs 18(a), 18(b) and, unless otherwise directed by the Authority, paragraph 18(c):
- (i) for bringing the proposal to the attention of BSC Parties and such other persons having an appropriate interest in it (including consumer representatives);
  - (ii) for proper consideration of any representations on the proposal including representations made by Small Participants and/or consumer representatives;
  - (iii) for properly evaluating the suitability of the significant code review route or self-governance route for a particular modification proposal

- (iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable BSC Objective(s), provided that so far as any such evaluation requires information which is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraphs 13(a) and 13(b);
- (v) for the development and consideration of any alternative modifications which may, as compared with the proposed modification, better facilitate achieving the Applicable BSC Objective (s), provided that:
  - (1) the alternative proposals are made as described in the Code of Practice and as further specified in the BSC; and
  - (2) unless an extension of time has been approved by the BSC Panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period as specified in the BSC from the date on which the original modification was proposed,
- (vi) for the evaluation required under paragraph 18(h)(iv) (and, if applicable paragraph 18(h)(v)) in respect of the Applicable BSC Objective (s) to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority,
- (vii) for the preparation of a BSC panel report:
  - (1) setting out the proposed modification and, separately, any alternatives,
  - (2) evaluating the proposed modification and, separately, any alternatives,
  - (3) assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable BSC Objective (s) and providing a detailed explanation of the BSC Panel's reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions in accordance with paragraph 18(h)(vi)),
  - (4) assessing the impact of the modification and any alternative on the Core Industry Documents and the changes expected to

be required to such documents as a consequence of such modification,

- (5) setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification and any alternative (if made) would take effect; and
- (viii) for the submission of the BSC Panel report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification, and in accordance with the time periods specified in the BSC, which must not be extended unless approved by the BSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraphs 18(h)(i) to 18(h)(vii);
- (ix) for the revision and re-submission of the BSC panel report provided under paragraphs 18(h)(vii) and 18(h)(viii), such re-submission to be made, if required by a direction issued by the Authority under paragraph 32(b), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification),
- (i) for the timetable (referred to in paragraph 18(h)(vii)) for implementation of any modification to be either:
  - (i) in accordance with any direction(s) issued by the Authority under paragraph 18(f)(iii); or
  - (ii) where no direction has been issued by the Authority under paragraph 18(f)(iii) such as will enable the modification to take effect as soon as practicable after the Authority has directed or, in the case of a proposal falling under paragraphs 18(c) and 19, the BSC Panel has determined that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;
- (j) for empowering the licensee to secure, if so directed by the Authority in circumstances specified in the BSC,
  - (i) that the modification procedures are complied with in respect of any particular modification in accordance with the terms of the direction;
  - (ii) that, where a modification has been made but not implemented in accordance with its terms, all reasonable steps are taken to implement it in accordance with the terms of the direction;

- (iii) that the licensee can recover its reasonable costs and expenses properly incurred in complying with the direction, and
- (k) for each of the procedural steps outlined in this paragraph 18, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice.
- (l) for the completion of each of the procedural steps outlined in this paragraph 18, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 18(f).

### **Part C: Self-Governance Route**

19. The procedures for the modification of the BSC must provide that modification proposals must only be implemented without the Authority's approval pursuant to this paragraph 19 where:
- (a) either of the following applies:
    - (i) in the view of the BSC Panel, the modification proposal meets, all of the Self-Governance Criteria, and the BSC Panel has submitted to the Authority in respect of the modification proposal and not withdrawn a Self-Governance Statement; or
    - (ii) if a Self-Governance Statement has not been made, or has been withdrawn, the Authority has determined that the Self-Governance Criteria are satisfied and the modification proposal is suitable for the self-governance route; and
  - (b) unless otherwise exempted by the Authority, the BSC Panel has sent copies of all consultation responses to the Authority at least 7 days before the BSC Panel intends to make its determination under paragraph 19(d); and
  - (c) the Authority has not directed that the Authority's decision is required prior to the BSC Panel's determination under paragraph 19(d); and
  - (d) the BSC Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph 19(b), determined, in accordance with paragraphs 18(h)(i) to 18(h)(vii) of this condition as applicable, that the modification proposal or any alternative must be implemented on the basis that it would, as compared with the then existing provisions of the BSC and any other modifications proposed in accordance with paragraph 18(h)(v), better facilitate the achievement of the Applicable BSC Objective(s); and
  - (e) either of the following applies:
    - (i) no appeal has been raised up to and including 15 Working Days after the BSC Panel's determination under paragraph 19(d) in respect of such modification proposal and any alternative in accordance with paragraph 21; or
    - (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 21 and the Authority has not quashed the BSC Panel's determination referred to

in paragraph 19(d) of this condition and either remitted the relevant modification proposal and any alternative back to the BSC Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

20. In no circumstances can the self-governance procedure set out in paragraph 19 be used to amend the BSC to expand the range of activities that can be undertaken by the BSCCo as contemplated by paragraph 6.
21. The procedures for the modification of the BSC must provide that those persons set out at paragraph 18(a) may appeal to the Authority the approval or rejection by the BSC Panel of a modification proposal and any alternative falling under the self-governance route, provided the appeal has been made up to and including 15 Working Days after the approval or rejection and in accordance with the procedures specified in the BSC and, in the opinion of the Authority:
  - (a) either of the following applies:
    - (i) the appealing party is, or is likely to be, unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
    - (ii) the appeal is on the grounds that:
      - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the Applicable BSC Objectives; or
      - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the Applicable BSC Objectives; and
  - (b) it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.
22. The procedures for the modification of the BSC must provide that:
  - (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 21 that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal;
  - (b) if the Authority quashes the BSC Panel's determination referred to in paragraph 19(d) and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 21, the BSC Panel's determination of that modification proposal and any alternative referred to in paragraph 19(d) shall be treated as a report submitted to the Authority in accordance with the procedures specified in paragraph 18(h)(viii) and paragraph 32(a) and the BSC Panel's determination shall be treated as its recommendation.

23. The procedures for the modification of the BSC must provide that modifications must only be implemented without the Authority's approval pursuant to this paragraph 23 (the "fast track self-governance route") where:
- (a) in the unanimous view of the BSC Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;
  - (b) the BSC Panel unanimously determines that the modification should be made;
  - (c) BSC Parties, the licensee and the Authority have been notified of the proposed modification;
  - (d) none of the persons named in paragraph 23(c) have objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and
  - (e) notification under paragraph 23(c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

#### **Part D: Significant Code Review**

24. Without prejudice to paragraph 29, the procedures for the modification of the BSC must provide that proposals for modification of the BSC falling within the scope of a Significant Code Review must not be made by the parties listed in paragraph 19(a) during the BSC Significant Code Review Phase, except where:
- (a) the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
  - (b) the modification proposal is made by the licensee in accordance with paragraphs 18(b) and 26, or 18(f)(i); or
  - (c) the modification proposal is made by the Authority in accordance with paragraph 18(a).
  - (d) The procedures for the modification of the BSC must provide that where a modification proposal is made during the BSC Significant Code Review Phase, unless otherwise exempted by the Authority, the BSC Panel must:
  - (e) comply with the steps in paragraph 18(h) subject to paragraph 25(c); and
  - (f) as soon as practicable notify the Authority of:
    - (i) any representations received in relation to the suitability of the significant code review route; and
    - (ii) the BSC Panel's assessment of whether the proposal falls within the scope of a Significant Code Review and the applicability of the

exceptions under paragraph 24(a) or 24(b), and its reasons for that assessment; and

(g) if the Authority so directs, not proceed with the modification proposal until the BSC Significant Code Review Phase has ended.

25. The procedures for the modification of the BSC must provide that if within 28 days after the Authority has published its Significant Code Review conclusions:

- (a) the Authority issues Significant Code Review Directions to the licensee, the licensee must comply with those directions and must treat the BSC Significant Code Review Phase as ended;
- (b) the Authority issues to the licensee a statement that no Significant Code Review Directions under paragraph 26(a) will be issued in relation to the BSC, the licensee must treat the BSC Significant Code Review Phase as ended;
- (c) the Authority makes a modification proposal in accordance with paragraph 18(a), the licensee must treat the BSC Significant Code Review Phase as ended;
- (d) the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the BSC Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph 27;
- (e) neither Significant Code Review Directions under paragraph 26(a), nor a statement under paragraphs 26(b) or 26(d), have been issued, nor a modification proposal under paragraph 26(c) has been made, the BSC Significant Code Review Phase will be deemed to have ended.

The Authority's published conclusions and Significant Code Review Directions to the licensee must not fetter the voting rights of the members of the BSC Panel or the recommendation procedures informing the report described at paragraph 18(h)(vii).

26. The procedures for modification of the BSC must provide that, if the Authority issues a statement under paragraph 26(d) and/or a Backstop Direction in accordance with paragraph 30, the BSC Significant Code Review Phase will be deemed to have ended when:

- (a) the Authority issues a statement that the BSC Significant Code Review Phase has ended;
- (b) one of the circumstances in paragraphs 26(a) or 26(c) occurs (irrespective of whether such circumstance occurs within 28 days after the Authority has published its Significant Code Review conclusions); or
- (c) the Authority makes a decision consenting or otherwise to the modification of the BSC following the BSC Panel's submission of its report under paragraph 29(b).

27. The procedures for the modification of the BSC must provide that, where the Authority has issued a statement in accordance with paragraph 26(d) and/or a Backstop Direction in accordance with paragraph 30, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 31(b) to the BSC Panel.
28. The procedures for the modification of the BSC must provide, where the Authority submits a Significant Code Review modification proposal to the BSC Panel in accordance with paragraph 28:
- (a) for the preparation of a BSC panel report:
    - (i) evaluating the proposed modification;
    - (ii) assessing the extent to which the proposed modification would better facilitate achieving the Applicable BSC Objective(s) and providing a detailed explanation of the BSC Panel's reasons for that assessment (such assessment to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with such guidance on the treatment of carbon costs and evaluation of the greenhouse gas emissions as may be issued by the Authority from time to time); and
    - (iii) setting out a timetable for implementation of the modification, including the date with effect from when the modification (if made) would take effect;
  - (b) for the submission of the report to the Authority as soon after the Significant Code Review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification, and in accordance with the time periods specified in the BSC, which must not be extended unless approved by the BSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraph 29(a);
  - (c) for the revision and re-submission of the BSC panel report provided under paragraphs 29(a) and 29(b), such re-submission to be made, if required by a direction issued by the Authority under paragraph 32(b), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification);
  - (d) for the timetable (referred to in paragraph 29(a)(iii)) for implementation of any modification to be either:
    - (i) in accordance with any direction(s) issued by the Authority under paragraph 18(f)(iii); or
    - (ii) where no direction has been issued by the Authority under paragraph 18(f)(iii), such as will enable the modification to take effect as soon as practicable after the Authority has directed that such modification should be made, account being taken of the



complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted; and

- (e) for the completion of each of the procedural steps outlined in this paragraph 29, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 18(f).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the BSC Panel or the recommendation procedures informing the report described at paragraph 29(a).

- 29. The procedures for the modification of the BSC must provide that, where a proposal has been made in accordance with paragraph 26(a) or 18(f)(i), or by the Authority under paragraph 26(c) and it falls within the scope of paragraph 31(b), the Authority may issue a direction (a Backstop Direction), which requires such proposal(s) and any alternatives to be withdrawn and which causes the BSC Significant Code Review Phase to recommence.
- 30. Modification proposals fall within the scope of this paragraph where:
  - (a) the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation and/or any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or
  - (b) the modification proposal is in respect of a Significant Code Review.
- 31. Further considerations are as follows:
  - (a) without prejudice to paragraph 20, if a BSC Panel report has been submitted to the Authority pursuant to the procedures described in paragraph 19(h)(viii) or 30(b), and the Authority is of the opinion that a modification set out in such BSC Panel report would, as compared with the then existing provisions of the BSC and any other modifications set out in such report, better facilitate achieving the Applicable BSC Objective(s), the Authority may direct the licensee to make that modification;
  - (b) if a BSC Panel report has been submitted to the Authority pursuant to the procedures described in paragraph 18(h)(viii) or 29(b) and if the Authority determines that the report prepared in accordance with paragraph 18(h)(vii) or 29(a) is such that the Authority cannot properly form an opinion in accordance with paragraph 32(a), the Authority may issue a direction to the BSC Panel:
    - (i) specifying the additional steps (including drafting or amending existing drafting of the modification to the BSC), revision (including revision to the timetable), analysis and/or information that it requires in order to form such an opinion; and

- (ii) requiring the report to be revised and be re-submitted in accordance with paragraph 18(h)(ix) or 29(c);
- (c) without prejudice to paragraph 24 or 28, only the licensee will have power to modify the BSC.

### **Part E: BSC Framework Agreement**

32. In regard to the BSC Framework Agreement:

- (a) the licensee must be a party to the BSC Framework Agreement.
- (b) the BSC and/or the BSC Framework Agreement must contain provisions:
  - (i) for admitting as an additional party to the BSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the BSC) on which accession to the BSC Framework Agreement is offered;
  - (ii) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC any dispute which arises as to whether a person seeking to be admitted as a party to the BSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the BSC Framework Agreement;
  - (iii) for persons to be admitted as additional parties to the BSC Framework Agreement by either:
    - (iv) a representative (who need not be a BSC Party) appointed thereunder to act on behalf of all parties to it, or
    - (v) if there is no such representative or if the representative fails to act, the licensee acting on behalf of all parties to it.
- (c) if, following a determination of the Authority as referred to in paragraph 32(b)(ii), the representative referred to in paragraph 32(b)(iii) fails to act on behalf of all parties to admit such person, the licensee must act on behalf of all parties to admit such person if directed to do so by the Authority.

33. The licensee must take all reasonable measures to secure and implement (consistently with the procedures applicable under or in relation to the Core Industry Documents and/or Industry Codes to which it is party (or in relation to which it holds rights in respect of amendment)), and must not take any steps to prevent or unduly delay, changes to those documents, such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the BSC, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the BSC and any Core Industry Document or Industry Code.

34. Paragraph 33 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 33 which the Authority may have.
35. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition and create or modify industry documents including but not limited to the BSC, Core Industry Documents and Industry Codes where necessary.
36. In this condition in the expression "sale and purchase of electricity", sale excludes sale by way of assumption of an imbalance under the BSC and sale by way of supply to premises, and purchase must be construed accordingly.

## **Condition E2 Connection and Use of System Code (CUSC)**

### **Introduction**

1. The purpose of this condition is to:
  - (a) in Part A, describe the Connection and Use of System Code (CUSC), which is a document that sets out terms between the CUSC Parties;
  - (b) in Part B, establish the requirements for modification of the CUSC;
  - (c) in Part C, describe the self-governance route for modification of the CUSC;
  - (d) in Part D, establish the requirements related to a Significant Code Review; and
  - (e) in Part E, establish the licensee's obligations in respect of the CUSC Framework Agreement.

### **Part A: Description of the CUSC**

2. The licensee must establish arrangements for connection and use of system in respect of matters which are calculated to facilitate the achievement of the Applicable CUSC Objectives set out in paragraph 4, other than those matters related to condition E10 (Use of system charging and methodology), E11 (Connection Charging Methodology), B6 (Prohibition on discrimination between users), E12 (Requirement to offer terms), E13 (Functions of the Authority) and E3 (Grid Code).
3. The licensee must comply with paragraph 2 by modifying the CUSC, in accordance with the provisions of paragraphs 10 and 23.
4. The Applicable CUSC Objectives referred to in paragraph 2 are:
  - (a) in relation to a proposed modification of the Charging Methodologies only:
    - (i) paragraph 14 of condition E10 in relation to the Use of System Charging Methodology; and
    - (ii) the Applicable Connection Charging Objectives, and
    - (iii) in relation to any other proposed modification:

- (iv) the efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence;
  - (v) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;
  - (vi) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and
  - (vii) promoting efficiency in the implementation and administration of the CUSC arrangements.
5. The licensee must prepare a CUSC which sets out:
- (a) the terms of the arrangements made pursuant to paragraphs 2 and 3;
  - (b) the procedures established pursuant to paragraphs 10 to 21;
  - (c) such other terms as appropriate for the purposes of the CUSC; and
  - (d) the Charging Methodologies.
6. The licensee must prepare a CUSC, which establishes:
- (a) The CUSC Code Administrator, and sets out the CUSC Code Administrator's powers, duties and functions which must:
    - (i) include a requirement that, in conjunction with other Relevant Code Administrators, the CUSC Code Administrator must maintain, publish, review and (where appropriate) amend the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;
    - (ii) include facilitating the matters required by paragraph 10; and
    - (iii) have regard to and, in particular to the extent that they are relevant, be consistent with the principles contained in, the Code of Practice;
  - (b) the CUSC Panel, whose functions must include matters required by this condition, and whose composition must include:
    - (i) an independent chairperson approved by the Authority; and
    - (ii) a consumer representative (appointed by Citizens Advice or Citizens Advice Scotland, or any successor body) who has a vote as specified in the CUSC.
7. The licensee must only enter into arrangements for connection and use of system that are in conformity with any relevant provisions of the CUSC.
8. The CUSC must provide for:
- (a) the licensee and each CUSC user to be contractually bound insofar as is applicable by the terms of the Grid Code;

- (b) agreements, where appropriate, between the licensee, Transmission Licensees and each CUSC User for:
- (i) the licensee and each CUSC User, where appropriate, to enter into an agreement or agreements, supplemental to and in a form prescribed by the CUSC, setting out site specific details in respect of each site at which the CUSC User's electrical lines or electrical plant is connected to the National Electricity Transmission System;
  - (ii) each CUSC User, where appropriate, to enter into an agreement or agreements with a Transmission Licensee supplemental to and in a form prescribed by the CUSC setting out site specific details in respect of each site at which the CUSC User's electrical lines or electrical plant is connected to the National Electricity Transmission System.
- (c) there to be referred to the Authority for determination such matters arising under the CUSC as may be specified in the CUSC; and
- (d) a copy of the CUSC to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy.
9. The provisions of paragraphs 8 and 26 must not limit the matters that may be provided for in the CUSC.

#### **Part B: CUSC modification procedures**

10. The licensee must establish and operate procedures for the modification of the CUSC (including procedures for modification of the modification procedures themselves), to better facilitate achievement of the Applicable CUSC Objectives. The procedures must provide (without prejudice to the procedures for modification provided for in paragraph 23):
- (a) subject to paragraphs 15 and 16, for proposals for modification of:
    - (i) the CUSC (other than in respect of proposals for modification of the Charging Methodologies) to be made by the licensee, CUSC Users, the Authority (in relation only to modifications within the scope of paragraph 22), and such other persons and bodies as the CUSC may provide; and
    - (ii) the Charging Methodologies to be made by the licensee and/or CUSC Users, the Authority (in relation only to modifications within the scope of paragraph 22), Citizens Advice, Citizens Advice Scotland, BSC Parties and/or a Materially Affected Party and in accordance with the provisions of the CUSC unless otherwise permitted by the Authority;
  - (b) for proposals for modification of the CUSC to be made by the licensee in accordance with a direction issued by the Authority pursuant to paragraphs 10(g), 17 (the significant code review route) and 29;

- (c) for the implementation of modification proposals without the Authority's approval in accordance with paragraphs 11 (the self-governance route) and 13;
- (d) for the provision by the CUSC Code Administrator of assistance insofar as is reasonably practicable and on reasonable request to parties, (including, in particular, Small Participants and consumer representatives) that request the CUSC Code Administrator's assistance in relation to the CUSC including, but not limited to, assistance with:
  - (i) drafting a modification proposal;
  - (ii) understanding the operation of the CUSC;
  - (iii) their involvement in, and representation during, the modification procedure processes (including but not limited to CUSC Panel and/or workgroup meetings) as required by this condition, specified in the CUSC, or described in the Code of Practice; and
  - (iv) accessing information relating to modification proposals and/or modifications;
- (e) for:
  - (i) the regular convening of the Charging Methodology Forum for the purposes of discussing further development of the Charging Methodologies;
  - (ii) the provision of information by the licensee in accordance with paragraphs 10 and 11 of condition E10 (Use of System charging and methodology) and paragraphs 12 and 13 of condition E11 (Connection Charging Methodology); and
  - (iii) insofar as is reasonably practicable, the provision by the licensee of such other information or assistance as a Materially Affected Party may reasonably request for the purposes of preparing a proposal to modify a Charging Methodology;
- (f) for modification proposals made by the Authority or the licensee in accordance with paragraphs 10(a), 10(b) and 10(g)(i) respectively that fall within the scope of paragraph 22:
  - (i) to be accepted into the CUSC modification procedures by the CUSC Panel;
  - (ii) where the modification proposals are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
  - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 10(g);
- (g) for compliance by the licensee and (where applicable) the CUSC Panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to the modification proposal that falls within the scope of paragraph 22) for:
  - (i) the licensee to raise a modification proposal; and/or

- (ii) the completion of each of the procedural steps outlined in paragraphs 10 or 20, to the extent that they are relevant; and/or
  - (iii) the implementation of a modification.
- (h) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 14 (the "fast track self-governance route");
- (i) except in the case of a modification failing within the scope of paragraphs 14 or 19, where a proposal is made in accordance with paragraphs 10(a), 10(b) and, unless otherwise directed by the Authority, 10(c),
- (i) for bringing the proposal to the attention of CUSC Parties and such other persons as may properly be considered to have an appropriate interest in it (including consumer representatives);
  - (ii) for proper consideration of any representations on the proposal (including representations made by Small Participants and consumer representatives);
  - (iii) for properly evaluating the suitability of the Significant Code Review route or self-governance route for a particular modification proposal;
  - (iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable CUSC Objectives, provided that so far as any such evaluation requires information that is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraphs 4(b)(i) and 4(b)(ii).
  - (v) for the development and consideration of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the Applicable CUSC Objective(s) provided that:
    - (1) the alternative proposal is made as described in the Code of Practice and as further specified in the CUSC; and
    - (2) unless an extension of time has been approved by the CUSC Panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period (as specified in the CUSC) from the date on which the original modification was proposed,
  - (vi) in relation to proposals for the modification of Charging Methodologies, for compliance (as applicable) with:
    - (1) paragraph 6 of condition E10; and

- (2) paragraphs 5 and 10 of condition E11.
- (vii) for the evaluation required under paragraph 10(i)(iv) (and, if applicable, paragraph 10(i)(v)) in respect of the Applicable CUSC Objective(s) to include, where that impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions to be conducted in accordance with such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority;
- (viii) for the preparation of a CUSC Panel report:
- (1) setting out the proposed modification and, separately, any alternatives;
  - (2) evaluating the proposed modification and, separately, any alternatives;
  - (3) assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable CUSC Objectives and providing a detailed explanation of the CUSC Panel's reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emission in accordance with paragraph 10(i)(vii));
  - (4) assessing the impact of the modification and any alternative on the Core Industry Documents and the changes expected to be required to such documents as a consequence of such modification;
  - (5) setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification and any alternative (if made) would take effect;
- (ix) subject to paragraph 10(i)(vi), for the submission of the CUSC Panel report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification and in accordance with the time periods specified in the CUSC, which must not be extended unless approved by the CUSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraphs 10(i)(i) to 10(i)(viii); and
- (x) subject to paragraph 10(i)(vi), for the revision and resubmission of the CUSC Panel report provided under paragraphs 10(i)(viii) and 10(i)(ix), such resubmission to be made, if required by a direction issued by the Authority under paragraph 23(b), as soon after the



Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification);

- (j) subject to paragraph 10(i)(vi) and without prejudice to paragraph 4 of condition E10, for the timetable (referred to in paragraph 10(i)(viii)) for implementation of any modification to be either:
  - (i) in accordance with any direction(s) issued by the Authority under paragraph 10(g)(iii); or
  - (ii) where no direction is issued by the Authority under paragraph 10(g)(iii),  
such as will enable the modification to take effect as soon as practicable after the Authority has directed or, in the case of a proposal falling under paragraphs 10(c) and 11, the CUSC Panel, has determined that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Authority;
- (k) for each of the procedural steps outlined in this paragraph 10, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice; and
- (l) for the completion of each of the procedural steps outlined in this paragraph 10, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 10(g).

### **Part C: The self-governance route**

- 11. The procedures for the modification of the CUSC must provide that modification proposals must only be implemented without the Authority's approval pursuant to this paragraph 11 where:
  - (a) either of the following applies:
    - (i) in the view of the CUSC Panel, the modification proposal meets all of the Self-Governance Criteria and the CUSC Panel has submitted to the Authority in respect of the modification proposal and not withdrawn a Self-Governance Statement; or
    - (ii) if a Self-Governance Statement has not been made, or has been withdrawn, the Authority has determined that the Self-Governance Criteria are satisfied, and the modification proposal is suitable for the self-governance route; and
  - (b) unless otherwise exempted by the Authority, the CUSC Panel has sent copies of all consultation responses to the Authority at least 7 days before the CUSC Panel intends to make its determination under paragraph 11(d); and
  - (c) the Authority has not directed that the Authority's decision is required prior to the CUSC Panel's determination under paragraph 11(d); and

- (d) The CUSC Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph 11(b), determined, in accordance with paragraphs 10(i)(i) to 10(i)(viii) as applicable, that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the CUSC and any other modifications proposed in accordance with paragraph 10(i)(iv), better facilitate the achievement of the Applicable CUSC Objective(s); and
- (e) either of the following applies:

- (i) no appeal has been raised up to and including 15 Working Days after the CUSC Panel's determination under paragraph 11(d) in respect of such modification proposal and any alternative in accordance with paragraph 12; or
- (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 12 and the Authority has not quashed the CUSC Panel's determination referred to in paragraph 11(d) and either remitted the relevant modification proposal and any alternative back to the CUSC Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

12. The procedures for the modification of the CUSC must provide that those persons set out in paragraph 10(a) may appeal to the Authority the approval or rejection by the CUSC Panel of a modification proposal and any alternative falling under the self-governance route, provided the appeal has been made up to and including 15 Working Days after the approval or rejection and in accordance with the procedures specified in the CUSC and, in the opinion of the Authority:

(a) either or both of the following applies:

- (i) the appealing party is, or is likely to be, unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
- (ii) the appeal is on the grounds that:
  - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the Applicable CUSC Objectives; or
  - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the Applicable CUSC Objectives; and

(b) the appeal is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

13. The procedures for the modification of the CUSC must provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 12 that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal;
  - (b) if the Authority quashes the CUSC Panel's determination referred to in paragraph 11(d) and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 12, the CUSC Panel's determination of that modification proposal and any alternative, referred to in paragraph 11(d) will be treated as a report submitted to the Authority in accordance with the procedures specified in paragraphs 10(i)(ix) and 23(a) and the CUSC Panel's determination will be treated as its recommendation.
14. The procedures for the modification of the CUSC must provide that the modifications must only be implemented without the Authority's approval pursuant to this paragraph 14 (the "fast track self-governance route") where:
- (a) in the unanimous view of the CUSC Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;
  - (b) the CUSC Panel unanimously determines that the modification should be made;
  - (c) the CUSC Parties and the Authority have been notified of the proposed modification;
  - (d) none of the persons named in paragraph 14(c) have objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and
  - (e) notification under paragraph 14(c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

#### **Part D: Significant Code Review**

15. Without prejudice to paragraph 19, the procedures for the modification of the CUSC must provide that proposals for modification of the CUSC falling within the scope of a Significant Code Review may not be made by the parties listed in paragraph 10(a) during the CUSC Significant Code Review Phase, except where:
- (a) the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
  - (b) the modification proposal is made by the licensee in accordance with paragraphs 10(b) and 17, or 10(g)(i); or

- (c) the modification proposal is made by the Authority in accordance with paragraph 10(a).
16. The procedures for the modification of the CUSC must provide that, where a modification proposal is made during the CUSC Significant Code Review Phase, unless otherwise exempted by the Authority, the CUSC Panel must:
- (a) comply with the steps in paragraph 10(i) subject to paragraph 16(c); and
  - (b) as soon as practicable notify the Authority of:
    - (i) any representations received in relation to the suitability of the Significant Code Review route; and
    - (ii) the CUSC Panel's assessment of whether the proposal falls within the scope of a Significant Code Review and the applicability of the exceptions under paragraphs 15(a) or 15(b), and its reasons for that assessment; and
  - (c) if the Authority so directs, not proceed with the modification proposal until the CUSC Significant Code Review Phase has ended.
17. The procedures for the modification of the CUSC must provide that if within 28 days after the Authority has published its Significant Code Review conclusions:
- (a) the Authority issues Significant Code Review Directions to the licensee, the licensee must comply with those directions and must treat the CUSC Significant Code Review Phase as ended;
  - (b) the Authority issues to the licensee a statement that no Significant Code Review Directions under paragraph 17(a) will be issued in relation to the CUSC, the licensee must treat the CUSC Significant Code Review Phase as ended;
  - (c) the Authority raises a modification proposal in accordance with paragraph 10(a), the licensee must treat the CUSC Significant Code Review Phase as ended;
  - (d) the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the CUSC Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph 18;
  - (e) neither directions under paragraph 17(a), nor a statement under paragraphs 17(b) or 17(d) have been issued, nor a modification proposal under paragraph 17(c), has been made, the CUSC Significant Code Review Phase will be deemed to have ended.

The Authority's published conclusions and Significant Code Review Directions to the licensee shall not fetter the voting rights of the members of the CUSC Panel or the recommendation procedures informing the report described in paragraph 10(i)(viii).

18. The procedures for the modification of the CUSC must provide that, if the Authority issues a statement under paragraph 17(d) and/or a Backstop Direction in accordance with paragraph 21, the CUSC Significant Code Review Phase will be deemed to have ended when:
  - (a) the Authority issues a statement that the CUSC Significant Code Review Phase has ended;
  - (b) one of the circumstances in paragraphs 17(a) or 17(c) occurs (irrespective of whether such circumstance occurs within 28 days after the Authority has published its Significant Code Review conclusions); or
  - (c) the Authority makes a decision consenting, or otherwise, to the modification of the CUSC following the CUSC Panel's submission of its report under paragraph 20(b).
19. The procedures for the modification of the CUSC must provide that, where the Authority has issued a statement in accordance with paragraph 17(d) and/or a Backstop Direction in accordance with paragraph 21, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 22(b) to the CUSC Panel.
20. The procedures for the modification of the CUSC must provide, where the Authority submits a Significant Code Review modification proposal to the CUSC Panel in accordance with paragraph 19:
  - (a) for the preparation of a CUSC Panel report:
    - (i) evaluating the proposed modification;
    - (ii) assessing the extent to which the proposed modification would better facilitate achieving the Applicable CUSC Objective(s) and providing a detailed explanation of the CUSC Panel's reasons for that assessment (such assessment to include, where that impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time); and
    - (iii) setting out a timetable for implementation of the modification, including the date with effect from which such modification (if made) would take effect;
  - (b) for the submission of the CUSC Panel report to the Authority as soon after the Significant Code Review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification, and in accordance with the time periods specified in the CUSC, which must not be extended unless approved by the CUSC Panel and not objected to by the Authority after

receiving notice) for the proper execution and completion of the steps in paragraph 20(a);

- (c) for the revision and re-submission of the CUSC Panel report provided under paragraphs 20(a) and 20(b), such re-submission to be made, if required by a direction issued by the Authority under paragraph 23(b), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification); and
- (d) for the timetable (referred to in paragraph 20(a)(iii)) for implementation of any modification to be either:
  - (i) in accordance with any direction(s) issued by the Authority under paragraph 10(g)(iii); or
  - (ii) where no direction has been issued by the Authority under paragraph 10(iii), such as will enable the modification to take effect as soon as practicable after the Authority has directed that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as required by the Authority;
- (e) for the completion of each of the procedural steps outlined in this paragraph 20, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 10(g).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the CUSC Panel or the recommendation procedures informing the CUSC Panel Report described in paragraph 20(a).

- 21. The procedures for modification of the CUSC must provide that, where a proposal has been raised in accordance with paragraph 17(a) or 10(i), or by the Authority under paragraph 17(c) and it falls within the scope of paragraph 22(b), the Authority may issue a Backstop Direction, which requires such proposal(s) and any alternatives to be withdrawn and which causes the CUSC Significant Code Review Phase to recommence.
- 22. Modification proposals fall within the scope of this paragraph where:
  - (a) the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation and/or any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or
  - (b) the modification proposal is in respect of a Significant Code Review.
- 23. Further considerations are as follows:
  - (a) without prejudice to paragraph 11, if a report has been submitted to the Authority pursuant to procedures described in paragraph 10(i)(ix) or 20(b), and the Authority is of the opinion that a modification set out in such

CUSC Panel report would, as compared with the then existing provisions of the CUSC and any alternative modifications set out in such CUSC Panel report, better facilitate achieving the Applicable CUSC Objectives, the Authority may direct the licensee to make that modification.

(b) if a CUSC Panel Report has been submitted to the Authority pursuant to the procedures described in paragraph 10(i)(ix) or 20(b) and if the Authority determines that the CUSC Panel Report prepared in accordance with paragraph 10(i)(viii) or 20(a) is such that the Authority cannot properly form an opinion in accordance with paragraph 23(a), the Authority may issue a direction to the CUSC Panel:

- (i) specifying the additional steps (including drafting or amending existing drafting of the amendment to the CUSC), revision (including revision to the timetable), analysis or information that it requires in order to form such an opinion; and
- (ii) requiring the report to be revised and be resubmitted in accordance with paragraph 10(i)(ix) or 20(c).

(c) the licensee must only modify the CUSC:

- (i) in order to comply with any direction of the Authority pursuant to paragraph 23(a); or
- (ii) with the consent of the Authority; or
- (iii) in accordance with paragraphs 10(c) and 11, or
- (iv) in accordance with paragraphs 10(h) and 14,

and it will not have the power to modify the CUSC in any other circumstance; and the licensee must furnish the Authority with a copy of any modification made.

(d) without prejudice to paragraph 15 or 19, only the licensee shall have the power to modify the CUSC.

24. The licensee must prepare and publish a summary of the CUSC as modified or changed in such form and manner as the Authority may direct.

#### **Part E: CUSC Framework Agreement**

25. The licensee must be a party to the CUSC Framework Agreement and must comply with the CUSC.

26. The CUSC Framework Agreement must contain provisions:

- (a) for admitting as an additional party to the CUSC Framework Agreement, any person who accepts the terms and fulfils the conditions (each as specified in the CUSC) on which accession to the CUSC Framework Agreement is offered; and
- (b) for referring for the determination by the Authority any dispute that arises as to whether a person seeking to be admitted as a party to the CUSC Framework Agreement has fulfilled any accession conditions; and if the

Authority determines that the person seeking accession had fulfilled all relevant standard conditions, for admitting such person to be a party to the CUSC Framework Agreement.

27. The licensee must take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the Core Industry Documents or Industry Codes to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes that are appropriate in order to give full and timely effect to and/or in consequence of any modification that has been made to the CUSC, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the CUSC and any Core Industry Document or Industry Code.
28. Paragraph 27 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 27, which the Authority may have.
29. The licensee must comply with any direction to the licensee made pursuant to this condition.
30. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and must create or modify industry documents including, but not limited to, the CUSC, Core Industry Documents and Industry Codes where necessary.

## **Condition E3 Grid Code**

### **Introduction**

1. The purpose of this condition is to:
  - (a) In Part A, describe the Grid Code, which is a document that sets out terms between the Grid Code Parties;
  - (b) In Part B, establish the requirements for modification of the Grid Code;
  - (c) in Part C, describe the self-governance route for modification of the Grid Code;
  - (d) in Part D, establish the requirements related to a Significant Code Review; and
  - (e) in Part E, establish the licensee's obligations in respect of the Grid Code.

### **Part A: Description of the Grid Code**

2. The licensee must in consultation with Authorised Electricity Operators liable to be materially affected prepare the Grid Code:



- (a) covering all material technical aspects relating to connections to and the operation and use of the National Electricity Transmission System, or (in so far as relevant to the operation and use of National Electricity Transmission System) the operation of electric lines and electrical plant connected to the National Electricity Transmission System or any Distribution System or any Authorised Distributor, and making express provision as to the matters referred to in paragraph 5 without prejudice to the obligations in paragraph 5; and
  - (b) which is designed to facilitate the achievement of the following Applicable Grid Code Objectives:
    - (i) to permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity;
    - (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the National Electricity Transmission System being made available to persons authorised to supply or generate electricity on terms, which neither prevents nor restrict competition in the supply of generation of electricity);
    - (iii) subject to paragraphs 2(b)(i) and 2(b)(ii), to promote the security and efficiency of the electricity generation, transmission and Distribution Systems in the National Electricity Transmission System Operator Area taken as a whole;
    - (iv) to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and
    - (v) to promote efficiency in the implementation and administration of the Grid Code arrangements.
3. The licensee must have in force and comply (subject to paragraph 26) with the Grid Code.
4. The Grid Code must provide for:
- (a) the procedures established pursuant to paragraph 6 and paragraphs 10 to 19;
  - (b) the Grid Code Panel, a panel body as specified in the Grid Code whose functions must include the matters required by this condition and as set out in the Grid Code and any ancillary documents and whose composition must include:
    - (i) a chairperson; and,

- (ii) a consumer representative (appointed by Citizens Advice or Citizen Advice Scotland, or any successor body) who has a vote as specified in the Grid Code;
  - (c) the Grid Code Administrator, in addition to any powers, duties or functions set out in the Grid Code and any ancillary documents, the Grid Code Administrator must:
    - (i) together with other Relevant Code Administrators, maintain, publish, review and (where appropriate) amend the Code of Practice approved by the Authority (with any amendments to the Code of Practice as approved by the Authority);
    - (ii) facilitate the procedures for making a modification to the Grid Code;
    - (iii) have regard to, and (to the extent relevant) be consistent with the principles contained in the Code of Practice; and
    - (iv) provide assistance, as is reasonably practicable and on reasonable request, to Authorised Electricity Operators (including, in particular, Small Participants) and, where relevant, consumer representatives that request the Grid Code Administrator's assistance in relation to the Grid Code including, but not limited to, assistance with:
      - (1) drafting a modification proposal;
      - (2) understanding the operation of the Grid Code;
      - (3) their involvement in, and representation during, the modification procedure processes (including, but not limited to Grid Code Panel and/or workgroup meetings) as required by this condition, specified in the Grid Code, or described in the Code of Practice; and
      - (4) Accessing information relating to modification proposals and/or modifications.
5. The Grid Code must include codes relating to the technical operation of the National Electricity Transmission System, including:
- (a) connection conditions specifying the technical, design and operational criteria to be complied with by the licensee and by any person connected or seeking connection with the National Electricity Transmission System or by any person authorised to generate who is connected with or seeks connection with the National Electricity Transmission System or any Distribution System or any third party that is located in the National Electricity Transmission System Operator Area;
  - (b) an operating code specifying the conditions under which the licensee must operate the National Electricity Transmission System and under which persons must operate their plant or Distribution Systems in relation to the National Electricity Transmission System, insofar as necessary to protect the security and quality of supply and safe operation of the National

Electricity Transmission System under both normal and abnormal operating conditions;

- (c) a planning code specifying the technical and design criteria and procedures to be applied in the planning and development of the National Electricity Transmission System and to be taken into account by persons connected or seeking connection with the National Electricity Transmission System in the planning and development of their own plant and systems; and
- (d) procedures relating to the outage of generation sets and a balancing code specifying, among other matters, information to be submitted by Authorised Electricity Operators to the licensee for the purposes of, and the making of offers and bids in, the Balancing Mechanism, and the issuing by the licensee of the instructions by reference to such offers and bids.

#### **Part B: Grid Code modification procedures**

- 6. The licensee must establish and operate procedures for the modification of the Grid Code (including procedures for modification of the modification procedures themselves), so as to better facilitate achievement of the Applicable Grid Code Objectives, where procedures must provide:
  - (a) subject to paragraphs 14(b) and 14(c), for proposals for modification of the Grid Code to be made by the licensee, the Grid Code users, the Authorised Electricity Operators liable to be materially affected thereby, the Authority (in relation only to modifications within the scope of paragraph 20), Citizen Advice, Citizens Advice Scotland, and such other persons and bodies as the Grid Code may provide; and
  - (b) for proposals for modification of the Grid Code to be made by the licensee in accordance with a direction issued by the Authority pursuant to paragraphs 6(f) and 15 (the Significant Code Review route);
  - (c) for the implementation of modification proposals without the Authority's approval in accordance with paragraphs 10 (the self-governance route) and 12;
  - (d) for the implementation of modification proposals without the Authority's approval in accordance with paragraph 13 (the fast track self-governance route);
  - (e) for modification proposals made following a direction by the Authority:
    - (i) to be accepted into the Grid Code modification procedures by the Grid Code Panel;
    - (ii) where they are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
    - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 6(f);
  - (f) for compliance by the licensee and (where applicable) the Grid Code Panel with any direction(s) issued by the Authority under this paragraph setting

or amending a timetable (in relation to a modification proposal that falls within the scope of paragraph 20 for the:

- (i) licensee to raise a modification proposal; and/or
  - (ii) completion of the procedural steps outlined in paragraphs 6 or 18 to the extent that they are relevant; and/or
  - (iii) implementation of a modification.
- (g) except in the case of a modification falling within the scope of paragraph 17 or 13 where a proposal is made in accordance with paragraph 6(a),
- (i) for bringing the proposal to the attention of the Grid Code Parties and such other persons as may properly be considered to have an appropriate interest in it (including consumer representatives);
  - (ii) for proper consideration of any representations on the proposal (including representations made by Small Participants and consumer representatives);
  - (iii) for properly evaluating the suitability of the Significant Code Review or self-governance route for a particular modification proposal;
  - (iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable Grid Code Objectives, provided that so far as any such evaluation requires information that is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph 2;
  - (v) for the development and consideration of any alternative modification that may, as compared with the proposed modification, better facilitate achieving the Applicable Grid Code Objective(s) provided that:
    - (1) the alternative proposal is made as described in the Code of Practice and as further specified in the Grid Code; and
    - (2) unless an extension of time has been approved by the Grid Code Panel and not objected to by the Authority after receiving notice, any workgroup stage must last for a maximum period (as specified in the Grid Code) from the date on which the original modification was proposed,
  - (vi) for the evaluation required under paragraph 6(g)(iv) (and, if applicable, paragraph 6(g)(v)) in respect of the Applicable Grid Code Objective(s) to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions to be conducted in accordance with such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority;

- (vii) for the preparation of a Grid Code panel report:
  - (1) setting out the proposed modification and, separately, any alternatives;
  - (2) evaluating the proposed modification and, separately, any alternatives;
  - (3) assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable Grid Code Objectives and providing a detailed explanation of the Grid Code Panel's reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions in accordance with paragraph 6(g)(iv);
  - (4) assessing the impact of the modification and any alternative on the Core Industry Documents and the changes expected to be required to such documents as a consequence of such modification;
  - (5) setting out a timetable for implementation of the modification and any alternative, including the date with effect from with such modification and any alternative (if made) would take effect; and
- (viii) for the submission of the report to the Authority, as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification and in accordance with the time periods specified in the Grid Code, which must not be extended unless approved by the Grid Code Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraphs 6(g)(i) to 6(g)(vii); and
- (ix) for each of the procedural steps outlined in this paragraph 6, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice; and
- (x) for the completion of each of the procedural steps outlined in this paragraph 5, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(f).

7. The licensee must only modify the Grid Code:

- (a) with the consent of the Authority; or
- (b) in accordance with paragraphs 10 or 13,

and it must not have the power to modify the Grid Code in any other circumstance; and the licensee must furnish the Authority with a copy of any modification made.

8. Without prejudice to paragraph 17, only the licensee will have the power to modify the Grid Code.
9. Without prejudice to paragraph 10, if a report has been submitted to the Authority pursuant to the procedures described in paragraph 6(g)(viii) or 18(b), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the Grid Code and any alternative modifications set out in such report, better facilitate achieving the Applicable Grid Code Objectives, the Authority may issue directions requiring the licensee to modify the Grid Code in such manner as may be specified in the directions, and the licensee must forthwith comply with any such directions.

### **Part C: The self-governance route**

10. The procedures for the modification of the Grid Code must provide that modification proposals must only be implemented without the Authority's approval pursuant to this paragraph where:
  - (a) either:
    - (i) in the view of the Grid Code Panel, the modification proposal meets all the Self-Governance Criteria and the Grid Code Panel has submitted to the Authority in respect of the modification proposal and not withdrawn a Self-Governance Statement; or
    - (ii) if a Self-Governance Statement has not been made, or has been withdrawn, the Authority has determined that the Self-Governance Criteria are satisfied and the modification proposal is suitable for the self-governance route; and
  - (b) unless otherwise exempted by the Authority, the Grid Code Panel has sent copies of all consultation responses to the Authority at least 7 days before the Grid Code Panel intends to make its determination under paragraph 10(d); and
  - (c) the Authority has not directed that the Authority's decision is required prior to the Grid Code Panel's determination under paragraph 10(d); and
  - (d) the Grid Code Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph 10(b), determined that the modification proposal, or any alternative must be implemented on the basis that it would, as compared with the then existing provisions of the Grid Code and any other modifications proposed in accordance with paragraph 10(g)(v), better facilitate the achievement of the Applicable Grid Code Objective(s); and
  - (e) either:
    - (i) no appeal has been raised up to and including 15 Working Days after the Grid Code Panel's determination under paragraph 10(d) in respect of such modification proposal and any alternative in accordance with paragraph 11; or

- (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 11 and the Authority has not quashed the Grid Code Panel's determination referred to in paragraph 10(d) and either remitted the relevant modification proposal and any alternative back to the Grid Code Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.
- 11. The procedures for the modification of the Grid Code must provide that those persons set out in paragraph 6(a) may appeal to the Authority the approval or rejection by the Grid Code Panel of a modification proposal and any alternative falling under the self-governance route, provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the Grid Code and, in the opinion of the Authority:
  - (a) either:
    - (i) the appealing party is, or is likely to be unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
    - (ii) the appeal is on the grounds that:
      - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the Applicable Grid Code Objectives; or
      - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the Applicable Grid Code Objectives; and
  - (b) it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.
- 12. The procedures for the modification of the Grid Code must provide that:
  - (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 11 that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal;
  - (b) if the Authority quashes the Grid Code Panel's determination referred to in paragraph 10(d) and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 11, the Grid Code Panel's determination of that modification proposal and any alternative referred to in paragraph 10(d) will be treated as a report submitted to the Authority in accordance with the procedures specified in paragraph 6(g)(viii) and the Grid Code Panel's determination will be treated as its recommendation.

13. The procedures for the modification of the Grid Code must provide that the modifications must only be implemented without the Authority's approval pursuant to this paragraph (the fast track self-governance route) where:
- (a) in the unanimous view of the Grid Code Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;
  - (b) the Grid Code Panel unanimously determines that the modification should be made;
  - (c) the Grid Code Parties and the Authority have been notified of the proposed modification;
  - (d) none of the persons named in paragraph 13© has objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and
  - (e) notification under paragraph 13(c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

#### **Part D: Significant Code Review**

14. The procedures for modifying the Grid Code must provide:
- (a) for the revision and resubmission of the report provided for under paragraph 6(g)(viii) or 18(b) upon, and in accordance with, a direction issued to the licensee by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph 19;
  - (b) without prejudice to paragraph 17, that proposals for the modification of the Grid Code falling within the scope of a Significant Code Review may not be made during the Grid Code Significant Code Review Phase, except:
    - (i) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
    - (ii) at the direction of the Authority; or
    - (iii) where the modification proposal is made by the Authority in accordance with paragraph 6(a).
  - (c) that, where a modification proposal is made during a Grid Code Significant Code Review Phase, the Grid Code Panel must:
    - (i) unless exempted by the Authority, notify the Authority as soon as practicable of:
      - (1) any representations received in relation to the relevance of the Significant Code Review; and



(2) the Grid Code Panel's assessment of whether the proposal falls within the scope of the Significant Code Review and its reasons for that assessment; and

(ii) if the Authority so directs, not proceed with the modification proposal until the Grid Code Significant Code Review Phase has ended.

15. If, within 28 days after the Authority has published its Significant Code Review conclusions:

- (a) the Authority issues Significant Code Review Directions to the licensee, the licensee must comply with those Significant Code Review Directions and must treat the Grid Code Significant Code Review Phase as ended;
- (b) the Authority issues to the licensee a statement that no directions under paragraph 15(a) will be issued in relation to the Grid Code, the licensee must treat the Grid Code Significant Code Review Phase as ended;
- (c) the Authority raises a modification proposal in accordance with paragraph 6(a), the licensee must treat the Grid Code Significant Code Review Phase as ended;
- (d) the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the Grid Code Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph 16;
- (e) neither directions under paragraph 15(a) nor a statement under paragraph 11(b) or 11(d) have been issued, nor a modification proposal under paragraph 15(c) has been made, the Grid Code Significant Code Review Phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the Grid Code Panel or the procedures informing the report described in paragraph 8(g)(vii).

16. The procedures for the modification of the Grid Code must provide that, if the Authority issues a statement under paragraph 15(d) and/or a direction in accordance with paragraph 19, the Grid Code Significant Code Review Phase will be deemed to have ended when:

- (a) the Authority issues a statement that the Grid Code Significant Code Review Phase has ended;
- (b) one of the circumstances in paragraph 15(a) or 15(c) occurs (irrespective of whether such circumstance occurs within 28 days after the Authority has published its Significant Code Review conclusions); or
- (c) the Authority makes a decision consenting, or otherwise, to the modification of the Grid Code following the Grid Code Panel's submission of its report under paragraph 18(b).

17. The procedures for the modification of the Grid Code must provide that, where the Authority has issued a statement in accordance with paragraph 15(d) and/or a direction in accordance with paragraph 19, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 20(b) to the Grid Code Panel.
18. The procedures for the modification of the Grid Code must provide, where the Authority submits a Significant Code Review modification proposal to the Grid Code Panel in accordance with paragraph 17:
  - (a) for the preparation of a Grid Code Panel report:
    - (i) evaluating the proposed modification;
    - (ii) assessing the extent to which the proposed modification would better facilitate achieving the Applicable Grid Code Objective(s) and providing a detailed explanation of the Grid Code Panel's reasons for that assessment (such assessment to include, where that impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time); and
    - (iii) setting out a timetable for implementation of the modification, including the date with effect from which such modification (if made) would take effect;
  - (b) for the submission of the report to the Authority as soon after the Significant Code Review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification, and in accordance with the time periods specified in the Grid Code, which must not be extended unless approved by the Grid Code Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraph 18(a);
  - (c) for the completion of each of the procedural steps outlined in this paragraph 18, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(f).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the Grid Code Panel or the recommendation procedures informing the report described in paragraph 18(a).

19. The procedures for the modification of the Grid Code must provide that, where a proposal has been raised in accordance with paragraph 15(a) or 6 (f)(i), or by the Authority under paragraph 15(c) and it falls within the scope of paragraph 20(b), the Authority may issue a Backstop Direction, which requires such proposal(s) and

any alternatives to be withdrawn and which causes the Grid Code Significant Code Review Phase to recommence.

20. Modification proposals fall within the scope of this paragraph where:
- (a) the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation and/or any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or
  - (b) the modification proposal is in respect of a Significant Code Review.

### **Part E: Obligations on the licensee**

- 21. The licensee must give or send a copy of the Grid Code to the Authority upon request.
- 22. The licensee must (subject to paragraph 23) give or send a copy of the Grid Code to any person upon request.
- 23. The licensee may make a charge for any copy of the Grid Code given or sent pursuant to paragraph 22 of an amount that will not exceed any amount specified for the time being for the purposes of this condition in directions issued by the Authority.
- 24. In preparing, implementing and complying with the Grid Code (including in respect of the scheduling of maintenance of the National Electricity Transmission System), the licensee must not unduly discriminate in favour of or against, or unduly prefer, any person or class (or classes) of person.
- 25. The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the Grid Code in respect of such parts of the National Electricity Transmission System and/or to such extent as may be specified in the directions.
- 26. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition including, but not limited to, modifying the Grid Code and any ancillary documents where necessary.

## **Condition E4 System Operator – Transmission Owner Code**

### **Introduction**

- 1. The purpose of this condition is to:
  - (a) in Part A, describe the System Operator – Transmission Owner Code (STC), which is a document that sets out terms between the STC Parties;
  - (b) in Part B, establish the requirements for modification of the STC;
  - (c) in Part C, describe the self-governance route for modification of the STC;

- (d) in Part D, establish the requirements related to a Significant Code Review;
- (e) in Part E, establish the Code of Practice in respect of the STC;
- (f) in Part F, describe how the STC can be modified by the licensee; and
- (g) in Part G, establish the STC Framework Agreement.

### **Part A: Description of the STC**

2. The licensee must, in common with Transmission Licensees to which Transmission standard condition B12 applies, at all times have in force an STC, being a document that:
  - (a) sets out the terms between STC Parties whereby the National Electricity Transmission System and each STC Party's Transmission System that forms part of the National Electricity Transmission System, is to be planned, developed, or operated together with any associated arrangements. The STC requires the Transmission Services to be provided together with any associated arrangements;
  - (b) sets out the terms by which the licensee allocates Transmission Network Revenue, consistent with the principles that the licensee will only allocate invoiced Transmission Network Revenue (net of payments to the Agency, the Authority, electricity interconnector licensees, Offshore Transmission Owners, the licensee, any other parties as directed by the Authority, and payments associated with the NIC Funding Mechanism) to Transmission Owners. Any difference between invoiced Transmission Network Revenue and Maximum Revenue will be fully shared between the Transmission Owners. Each Transmission Owner's share will be proportionate to their share of Maximum Revenue as notified to the licensee by the Transmission Owners;
  - (c) is designed to facilitate achievement of the Applicable STC Objectives;
  - (d) includes the modification procedures required by paragraphs 8 to 21; and
  - (e) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC;
3. The licensee will be taken to comply with paragraph 2 by:
  - (a) adopting, through entry into the STC Framework Agreement (see Part C of this licence condition) and as the STC in force with effect from the date this condition comes into effect, the document designated by the Secretary of State for the purposes of this condition; and
  - (b) modifying such document from time to time in accordance with the provisions of paragraphs 8 to 22.
4. The terms and arrangements referred to in paragraph 2(a) are those which:
  - (a) are requisite for the enjoyment and discharge of the rights and obligations of Transmission Licensees and STC Parties arising under any relevant

licences, codes or other documents as may be specified from time to time by the Authority, including, but not limited to, rights and obligations that may arise under each of the Core Industry Documents, the BSC, and the CUSC; and

(b) provide for matters that include:

- (i) the provision of Transmission Services;
  - (ii) the operation, including the configuration, of the National Electricity Transmission System;
  - (iii) the coordination of the planning of STC Parties' Transmission Systems;
  - (iv) the progression of matters necessary to respond to applications for new connections (or modifications of existing connections);
  - (v) planning for, and coordination of, transmission outages;
  - (vi) procedures for developing, agreeing and implementing Party Entry Processes;
  - (vii) the resolution of disputes;
  - (viii) the exchange of information between STC Parties, which information they are free to disclose and relates to the discharge of their duties under the Electricity Act 1989, Transmission Licences and other relevant statutory obligations;
  - (ix) procedures to enable the licensee to obtain relevant information from STC Parties to enable it to produce information and analysis about the National Electricity Transmission System in accordance with condition C12 (Production of Information about the National Electricity Transmission System) and Licence Condition C13 (The Network Options Assessment (NOA) process and reporting requirements); and
  - (x) procedures established in accordance with paragraphs 8 to 21;
- nothing in this condition precludes the licensee entering into other terms and arrangements connected with these terms and arrangements, where such other arrangements are consistent or not in conflict with this licence or the STC or other relevant statutory requirements.

5. The Applicable STC Objectives referred to in paragraph 2(c) are:

- (a) efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989;
- (b) efficient discharge of the obligations imposed upon the ISOP by the Electricity System Operator licence, the Energy Act 2023 and Electricity Act 1989;
- (c) development, maintenance, and operation of an efficient, economical, and coordinated system of electricity transmission;

- (d) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;
  - (e) protection of the security and quality of supply and safe operation of the National Electricity Transmission System insofar as it relates to interactions between Transmission Licensees and the ISOP;
  - (f) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;
  - (g) facilitation of access to the National Electricity Transmission System for generation not yet connected to the National Electricity Transmission System or Distribution System; and
  - (h) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency.
6. The STC must provide for:
- (a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC;
  - (b) a copy of the STC and any part(s) thereof, excluding any confidential information contained in the STC as provided in the STC, to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;
  - (c) the STC Panel;
  - (d) the STC Code Administrator to perform the role of code administrator. In addition to any powers, duties, or functions set out in the STC, the STC Code Administrator must:
    - (i) together with other Relevant Code Administrators, publish, review and, where appropriate, amend from time to time the Code of Practice approved by the Authority. Any amendments to the Code of Practice are to be approved by the Authority;
    - (ii) facilitate the procedures for making a modification to the STC; and
    - (iii) have regard to in particular, and, to the extent relevant, be consistent with the principles contained in, the Code of Practice.
7. The provisions of paragraphs 2, 4, 6 and 25 must not limit the matters that may be provided for in the STC.

### **Part B: STC modification procedures**

8. The STC must include procedures for its own modification (including procedures for the modification of the modification procedures themselves) to better facilitate achievement of the Applicable STC Objectives. The procedures for modification must provide:

- (a) for proposals for modification of the STC to be made by any of the STC Parties, the Authority (in relation only to modifications which fall within the scope of paragraph 20), the licensee or such other persons or bodies as the STC may provide;
- (b) for modification proposals made by the Authority or the licensee under paragraphs 8(a) and 8(c)(i) respectively, which fall within the scope of paragraph 20:
  - (i) to be accepted into the STC modification procedures by the STC Panel;
  - (ii) where modification proposals are raised by the licensee, not to be withdrawn without the Authority's prior consent; and
  - (iii) to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 8(c).
- (c) for compliance by the licensee and, where applicable, the STC Panel with any direction(s) issued by the Authority under this paragraph, setting and/or amending a timetable (in relation only to modifications fall within the scope of paragraph 20) for:
  - (i) the licensee to raise a modification proposal(s); and/or
  - (ii) the completion of each of the procedural steps outlined in paragraphs 8 or 18, to the extent that they are relevant; and/or
  - (iii) the implementation of a modification;
- (d) except for modifications made in accordance with paragraphs 12 or 17, where a modification proposal is made:
  - (i) for bringing the proposal to the attention of the STC Parties and such other persons as may properly be considered to have an appropriate interest in it:
    - (1) for the proper evaluation of the suitability of the self-governance route (in accordance with the paragraph 11) for a particular modification proposal;
    - (2) during a STC Significant Code Review Phase, for the proper evaluation of the relevance of the Significant Code Review to a particular modification proposal;
  - (ii) for proper consideration of any representations on the proposal itself or, on the likely effect of the proposal, on the Core Industry Documents;
  - (iii) for the preparation by the STC Panel of an assessment of the likely impact of the proposal on each STC Party's Transmission System and its other systems, provided that, so far as any such assessment requires information that is not generally available concerning any STC Party or STC Party's Transmission System, such assessment must be made on the basis of the STC Panel's proper assessment

- (which the STC Panel must make available for these purposes) of the impact of the proposals on each STC Party's Transmission System;
- (iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable STC Objectives, provided that so far as any such evaluation by the STC Panel requires information that is not generally available concerning any STC Party or STC Party's Transmission System or the National Electricity Transmission System, such evaluation must be made on the basis of the STC Panel's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph 5;
  - (v) for the development of any alternative modification that may, as compared with the proposed modification, better facilitate achieving the Applicable STC Objectives;
  - (vi) for the evaluation required under paragraph 8(d)(iv) (and if applicable, paragraph 8(d)(v)) in respect of the Applicable STC Objective(s) to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;
  - (vii) for the preparation of a report on behalf of the STC Panel that includes:
    - (1) the proposed modification and any alternative;
    - (2) an evaluation of the proposed modification and any alternative;
    - (3) an assessment of the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable STC Objectives and a detailed explanation of the reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of greenhouse gas emissions in accordance with paragraph 8(d)(vi));
    - (4) to the extent practicable, an assessment of the likely impact on each STC Party's Transmission System and any other systems of that STC Party and an assessment of the likely impact on the National Electricity Transmission System, of the proposed modification;
    - (5) an assessment of the impact of the modification on the Core Industry Documents and the changes expected to be required to such documents as a consequence of the modification;



- (6) a recommendation by the STC Panel (or in the case of a proposal falling within the scope of paragraph 9, a determination), by reference to the STC Panel's assessment against the Applicable STC Objectives, as to whether the proposed modification or any alternative should be made;
  - (7) to the extent practicable, the inclusion in the report of the combined views of the STC Parties concerning the modification and any alternative or, where a combined view is not practicable, the views of each STC Party;
  - (8) a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect;
- (viii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in paragraphs 8(d)(i) to 8(d)(vii);
- (e) for the timetable (referred to in paragraph 8(d)(vii)) for implementation of any modification to be either:
- (i) in accordance with any direction(s) issued by the Authority under paragraph 8(c); or
  - (ii) where no direction has been issued by the Authority under paragraph 8(c),
- such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made (or after a determination by the STC Panel in accordance with paragraph 9), account being taken of the complexity, importance and urgency of the modification, and for the timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;
- (f) for the completion of each of the procedural steps outlined in this paragraph 8, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 8(c);
- (g) for separate processes for the modification of the STC Procedures and the schedule listing the STC Procedures in force from time to time and that otherwise forms a part of the STC, to those for the modification of other parts of the STC set out in paragraphs 8(a) to 8(f) and paragraphs 9 to 22; and
- (h) for the revision and resubmission of the modification report submitted to the Authority in accordance with paragraphs 8(d)(vii) and 8(d)(viii) upon, and in accordance with, a direction issued to the STC Panel by the Authority

where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal.

### **Part C: Self-Governance Route**

9. The procedures for the modification of the STC must provide that the modification proposals must only be implemented without the Authority's approval in accordance with this paragraph 9 (the self-governance route), where:
  - (a) either:
    - (i) in the view of the STC Panel, the modification proposal meets all the Self-Governance Criteria, and the STC Panel has submitted to the Authority in respect of the modification proposal and not withdrawn a Self-Governance Statement; or
    - (ii) if a Self-Governance Statement has not been made, or has been withdrawn, the Authority has determined that the Self-Governance Criteria are satisfied, and the modification proposal is suitable for the self-governance route; and
  - (b) unless otherwise exempted by the Authority, the STC Panel has sent copies of all consultation responses to the Authority at least 7 days before the STC Panel intends to make its determination under paragraph 9(d); and
  - (c) the Authority has not directed that the Authority's decision is required prior to the STC Panel's determination under paragraph 9(d); and
  - (d) the STC Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph 9(b), determined that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the STC and any other modifications proposed in accordance with paragraph 8(d)(v), better facilitate the achievement of the Applicable STC Objective(s); and
  - (e) either:
    - (i) no appeal has been raised up to and including 15 working days after the STC Panel's determination under paragraph 9(d) in respect of such modification proposal and any alternative; or
    - (ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 10 and the Authority has not quashed the STC Panel's determination referred to in paragraph 9(d) (and either remitted the relevant modification proposal and any alternative back to the STC Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal).
10. The procedures for the modification of the STC must provide that those persons set out in paragraph 8(a) may appeal to the Authority the approval or rejection by the STC Panel of a modification proposal and any alternative falling under the self-governance route (in accordance with paragraph 9), provided the appeal has been

made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the STC and, in the opinion of the Authority:

- (a) either of the following applies:
  - (i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or
  - (ii) the appeal is on the grounds that:
    - (1) in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the Applicable STC Objectives; or
    - (2) in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the Applicable STC Objectives; and
- (b) the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

11. The procedures for the modifications of the STC must provide that:

- (a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 10, that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal; and
- (b) if the Authority quashes the STC Panel's determination referred to in paragraph 9(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 9(d), the STC Panel's determination of that modification must be treated as recommended under paragraph 8(d)(vii).

12. The procedures for the modification of the STC must provide that the modifications must only be implemented without the Authority approval in accordance with this paragraph 12, where:

- (a) in the unanimous view of the STC Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;
- (b) the STC Panel unanimously determines that the modification should be made;
- (c) the STC Parties and the Authority have been notified of the proposed modification;
- (d) none of the persons named in paragraph 12(c) have objected to the proposed modification being made via the fast track self-governance route in the 15 working days immediately following the day on which notification was sent; and

- (e) notification under paragraph 12(c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

#### **Part D: Significant Code Review**

- 13. Without prejudice to paragraph 7, the procedures for the modification of the STC must provide that the proposals for the modification of the STC falling within the scope of a Significant Code Review must not be made during the STC Significant Code Review Phase, except:
  - (a) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or
  - (b) at the direction of, or by, the Authority.
- 14. The procedures for the modification of the STC must provide that, where a modification proposal is made during a STC Significant Code Review Phase, the STC Panel must:
  - (a) unless exempted by the Authority, notify the Authority as soon as practicable of:
    - (i) any representations received in relation to the relevance of the Significant Code Review; and
    - (ii) the STC Panel's assessment of whether the proposal falls within the scope of the Significant Code Review and its reasons for that assessment; and
  - (b) if the Authority so directs, not proceed with the modification proposal until the STC Significant Code Review Phase has ended.
- 15. The procedures for the modification of the STC must provide that, if within 28 days after the Authority has published its Significant Code Review conclusions:
  - (a) the Authority issues Significant Code Review directions to the licensee, the licensee must comply with those Significant Code Review directions and must treat the STC Significant Code Review Phase as ended;
  - (b) the Authority issues to the licensee a statement that no directions under paragraph 15(a) will be issued in relation to the STC, the licensee must treat the STC Significant Code Review Phase as ended;
  - (c) the Authority raises a modification proposal in accordance with paragraph 8(a), the licensee must treat the STC Significant Code Review Phase as ended;
  - (d) the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the STC Significant Code

Review Phase as continuing until it is brought to an end in accordance with paragraph 16;

- (e) neither directions under paragraph 15(a), nor a statement under paragraphs 15(b) or 15(d), have been issued, nor a modification proposal under paragraph 15(c), has been made, the STC Significant Code Review Phase must be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the STC Panel or the recommendation procedures informing the report described in paragraph 8(d)(vii).

16. The procedures for the modification of the STC must provide that, if the Authority issues a statement under paragraph 15(d) and/or a direction in accordance with paragraph 19, the STC Significant Code Review Phase must be deemed to have ended when:
  - (a) the Authority issues a statement that the STC Significant Code Review Phase has ended;
  - (b) one of the circumstances in paragraphs 15(a) or 15(c) occurs, irrespective of whether such circumstance occurs within 28 days after the Authority has published its Significant Code Review conclusions; or
  - (c) the Authority makes a decision consenting, or otherwise, to the modification of the STC following the STC Panel's submission of its report under paragraph 18(b).
17. The procedures for the modification of the STC must provide that, where the Authority has issued a statement in accordance with paragraph 15(d) and/or a direction in accordance with paragraph 19, the Authority may submit a modification proposal for a modification falling within the scope of paragraph 20(b) to the STC Panel.
18. The procedures for the modification of the STC must provide, where the Authority submits a Significant Code Review modification proposal to the STC Panel in accordance with paragraph 17:
  - (a) for the preparation of an STC Panel report:
    - (i) evaluation of the proposed modification;
    - (ii) assessment the extent to which the proposed modification would better facilitate achieving the Applicable STC Objectives and providing a detailed explanation of the STC Panel's reasons for the assessment (such assessment to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance on the treatment of carbon costs and evaluation of greenhouse gas emissions as may be issued by the Authority from time to time);

- (iii) assessment, to the extent practicable, the likely impact on each STC Party's Transmission System and any other systems of that STC Party and an assessment of the likely impact on the National Electricity Transmission System, of the proposed modification;
  - (iv) assessment of the impact of the modification on the Core Industry Documents and the changes expected to be required to such documents as a consequence of the modification;
  - (v) inclusion of a recommendation by the STC Panel, by reference to the STC Panel's assessment against the Applicable STC Objectives, as to whether the proposed modification should be made;
  - (vi) inclusion, to the extent practicable, in the report of the combined views of the STC Parties concerning the modification or, where a combined view is not practicable, the views of each STC Party; and
  - (vii) a timetable for implementation of the modification, including the date with effect from which such modification (if made) would take effect;
- (b) for the submission of the report to the Authority as soon after the Significant Code Review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in paragraph 18(a);
- (c) for the revision and resubmission of the modification report submitted to the Authority in accordance with paragraph 18(b) upon, and in accordance with, a direction issued to the STC Panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal; and
- (d) for the timetable (referred to in paragraph 18(a)(vii)) for implementation of any modification to be either:
- (i) in accordance with any direction(s) issued by the Authority; or
  - (ii) where no direction has been issued by the Authority, such as will enable the modification to take effect as soon as practicable after the Authority has directed that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;
- (e) for the completion of each of the procedural steps outlined in paragraph 18, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 8(c).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the STC Panel or the recommendation procedures informing the report described in paragraph 18(a).

19. The procedures for the modification of the STC must provide that, where a proposal has been raised in accordance with paragraphs 15(a) or 8(c), or the Authority under paragraph 8(a) and it falls within the scope of paragraphs 20(b) and/or 20(c), the Authority may issue a Backstop Direction, which requires such proposal(s) and any alternatives to be withdrawn and which causes the STC Significant Code Review Phase to recommence.
20. Modification proposals fall within the scope of this paragraph where:
  - (a) the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation; and/or any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or
  - (b) the modification proposal is in respect of a Significant Code Review.

#### **Part E: Code of Practice**

21. The procedures for the modification of the STC must be consistent with the principles set out in the Code of Practice, to the extent that they are relevant.

#### **Part F: Modification by the licensee**

22. Modification of the STC by the licensee is permissible under the following conditions:
  - (a) if a report has been submitted to the Authority in accordance with procedures described in paragraph 8(d)(viii), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the STC and any alternative modification set out in such report, better facilitate achieving the Applicable STC Objectives, the Authority may direct the licensee to make that modification on behalf of the STC Parties and the licensee must provide a copy of the direction to all the other STC Parties.
  - (b) the licensee, on behalf of the STC Parties, must only modify the STC:
    - (i) in order to comply with any direction of the Authority in accordance with paragraph 22(a); or
    - (ii) with the consent of the Authority; or
    - (iii) in accordance with paragraph 9 (the self-governance route); or
    - (iv) in accordance with paragraph 12 (the fast track self-governance route), andthe licensee must not have the power to modify the STC in any other circumstance; and the licensee must furnish the Authority with a copy of any modification made.

- (c) only the licensee shall have the power to modify the STC.
  - (d) the licensee must ensure that a copy of any direction of the Authority in accordance with paragraph 22(a) is made available to each STC Party, including by way of publication.
  - (e) the licensee must ensure that the other STC Parties are provided with a copy of any modification.
23. The licensee must prepare and publish a summary of the STC as modified or changed, from time to time, in such form and manner as the Authority may, from time to time, direct.

### **Part G: STC Framework Agreement**

24. The licensee must be a party to the STC Framework Agreement and must comply with the STC.
25. The STC Framework Agreement must contain provisions:
- (a) any persons, who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered, as an additional party to the STC Framework Agreement; and
  - (b) for referring any dispute, which arise from a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions, for the determination of the Authority; and for admitting such person to be a party to the STC Framework Agreement, if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions.
26. The licensee must, in conjunction with the other STC Parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and must not take any steps to prevent or unduly delay, changes to the Core Industry Documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of modification), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the STC.
27. The licensee must, in conjunction with the other STC Parties, take all reasonable steps to secure and implement (consistently with the procedures for modification set out in the STC and in this condition), and must not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the Core Industry Documents (other than the Grid Code).
28. Paragraphs 26 and 27 are without prejudice to any rights of approval, veto or direction, in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.



29. Without prejudice to any rights of approval, veto or direction that the Authority may have, the licensee must use its best endeavours to ensure that procedures are in place to facilitate its compliance with the requirements of this condition, including, but not limited to, modification of the STC where necessary.
30. The licensee must comply with any direction made to the licensee, in accordance with this condition.
31. Following consultation with all affected STC Parties, the Authority may issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's Transmission System or the National Electricity Transmission System, or to such extent as may be specified in the direction.

## **Condition E5 Compliance with Distribution Codes**

### **Introduction**

1. The purpose of this condition is to establish the licensee's obligations in relation to the Distribution Codes.

### **Part A: Licensee's duties**

2. The licensee must comply with the provisions of every Distribution Code insofar as applicable to it.
3. The Authority may, following consultation with the Licensed Distributor responsible for the relevant Distribution Code and any other directly affected Authorised Electricity Operators directly affected thereby, issue directions relieving the licensee of its obligation under paragraph 2 in respect of such parts of such Distribution Codes, and to such extent and subject to such conditions as may be specified in those directions.
4. The licensee must be a party to and comply with the Distribution Connection and Use of System Agreement insofar as applicable to it.

## **Condition E6 Security arrangements**

### **Introduction**

1. The purpose of this condition is to set out the licensee's obligations in relation to security arrangements.

### **Part A: Requirements of the security arrangements**

2. The licensee must:
  - (a) in respect of its functions under this licence in England and Wales, comply with the provisions of the Fuel Security Code and such provisions shall have effect as if they were set out in this licence; and

(b) in respect of its functions under this licence in Scotland, and if so directed in directions issued by the Authority for the purposes of this condition, not later than such date as may be specified in such directions, enter into an agreement designated by the Secretary of State for the purposes of this condition relating to compliance with directions issued by the Secretary of State under section 34 and/or section 35 of the Electricity Act 1989.

3. The licensee must comply with and perform its obligations under any agreement, which it enters into pursuant to paragraph 2(b) above.

## **Condition E7 Transmission system security standard and quality of service**

### **Introduction**

1. The purpose of this condition is to establish the licensee's obligations in relation to the National Electricity Transmission System Security and Quality of Supply Standard.

### **Part A: National Electricity Transmission System Security and Quality of Supply Standard**

2. Subject to any Connect and Manage Derogation made under paragraphs 3, 4, and 5 of this condition, the licensee must:

(a) plan, develop and operate the National Electricity Transmission System; and

(b) coordinate and direct the flow of electricity onto and over the National Electricity Transmission System,

in accordance with the National Electricity Transmission System Security and Quality of Supply Standard as in force at the relevant time, together with the STC, the Grid Code or such other standard of planning and operation as the Authority may approve from time to time, and with which the licensee may be required to comply (following consultation, where appropriate, with any Authorised Electricity Operator liable to be materially affected thereby).

### **Part B: Derogation conditions**

3. Before making a Connect and Manage Offer in accordance with condition C11, the licensee must determine whether, if it were to make that Connect and Manage Offer, it would comply with paragraph 2 at the Connection Date. If the licensee determines that making that Connect and Manage Offer would be inconsistent with its obligations under paragraph 2, the licensee must determine by reference to the Connect and Manage Derogation Criteria whether, and to what extent, a Connect and Manage Derogation is required and appropriate and subsequently produce a Connect and Manage Derogation Report.

4. Where a Connect and Manage Derogation Report is submitted to the licensee by a Transmission Licensee as part of an Associated TO Offer, the licensee must:
  - (a) determine whether the Connect and Manage Derogation detailed in the Connect and Manage Derogation Report satisfies the Connect and Manage Derogation Criteria; and
  - (b) if it does not satisfy such criteria, advise the relevant Transmission Licensee as soon as reasonably practicable following receipt of the Associated TO Offer that it proposes to raise a dispute under the STC in respect of the Associated TO Offer. The licensee shall be deemed to have approved the Connect and Manage Derogation on acceptance of the Associated TO Offer.
5. Where the licensee determines that a Connect and Manage Derogation is required to enable it to make a Connect and Manage Offer, the licensee is not required to comply with the requirements of paragraph 2 (to the extent of the Connect and Manage Derogation) until the Wider Works relevant to that Connect and Manage Connection have been completed.

### **Part C: Reporting and statements**

6. The licensee must have in force a statement approved by the Authority following consultation with any relevant Authorised Electricity Operator setting out the criteria by which system availability, security and service quality of the National Electricity Transmission System may be measured and where such measurement is dependent on information provided to the licensee by the Transmission Owner, the statement must specify the information to be so provided.
7. The licensee must, within 4 months after the end of each Financial Year, submit to the Authority a report providing details of system availability, security and service quality of the National Electricity Transmission System during the previous Financial Year against the criteria referred to in paragraph 6 and must publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.
8. The Authority may (following consultation with the licensee and, where appropriate, any relevant Authorised Electricity Operator) issue directions relieving the licensee of its obligations under paragraph 2 in respect of such parts of the National Electricity Transmission System and to such extent as may be specified in the directions.
9. The licensee must give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph 2 (as from time to time amended) to the Authority.
10. The licensee must (subject to paragraph 8) give or send a copy of the documents (as from time to time revised) referred to in paragraph 6 to any person requesting the same.

11. The licensee may charge for any copy given or sent in accordance with paragraph 10 of an amount, which will not exceed any amount specified for the time being for the purpose of this condition in a direction issued by the Authority.

## **Condition E8 SO-TO Optimisation Governance**

### **Introduction**

1. The purpose of this condition is to set out the requirements upon the licensee to act consistently with the SO-TO Optimisation Governance.
2. Nothing in this condition replaces, overrides, or limits:
  - (a) any statutory duty imposed on the licensee;
  - (b) any other obligation of the licensee under the licence or any code, particularly in relation to the licensee's compliance with condition E4 (System Operator – Transmission Owner Code) and condition E7 (Transmission system security standard and quality of service); or
  - (c) the System Operator – Transmission Owner Code (the STC).

### **Part A: SO-TO Optimisation Governance**

3. The licensee must comply with the SO-TO Optimisation Governance.
4. The Authority will issue and amend the SO-TO Optimisation Governance by direction.
5. The Authority will publish the SO-TO Optimisation Governance on the Authority's Website.
6. The SO-TO Optimisation Governance will make provision about the governance and administration of the SO-TO Optimisation Governance including:
  - (a) the definition of 'SO-TO Optimisation Solutions';
  - (b) the methodology the licensee must use when providing the Authority with forecasts in relation to SO-TO Optimisation Solutions; and
  - (c) the reporting obligations in respect of SO-TO optimisation output delivery incentive.
7. Before directing that the SO-TO Optimisation Governance comes into effect, the Authority will publish on the Authority's Website:
  - (a) the text of the proposed SO-TO Optimisation Governance;
  - (b) the date on which the Authority intends the SO-TO Optimisation Governance to come into effect; and
  - (c) the period during which representations may be made on the amendments to the SO-TO Optimisation Governance, which will not be less than 28 days.

8. Before directing an amendment to the SO-TO Optimisation Governance, the Authority will publish on the Authority's Website:
  - (a) the text of the amended SO-TO Optimisation Governance;
  - (b) the date on which the Authority intends the amended SO-TO Optimisation Governance to come into effect;
  - (c) the reasons for the amendment to the SO-TO Optimisation Governance; and
  - (d) the period during which representations may be made on the amendment to the SO-TO Optimisation Governance, which will not be less than 28 days.

#### **Part B: SO-TO Optimisation Report**

9. The licensee must provide a SO-TO Optimisation Report in accordance with the SO-TO Optimisation Governance.
10. The licensee must provide this report to the Authority on or before 1 April 2023.

#### **Condition E9 Duty to cooperate**

##### **Introduction**

1. The purpose of this condition is to set out the licensee's obligations to cooperate when it has followed any guidance as set out by a Significant Code Review (SCR) or entered into a framework agreement or otherwise acceded to any and all of the following:
  - (a) the Grid Code;
  - (b) the Distribution Code;
  - (c) the Connection and Use of System Code (CUSC);
  - (d) the Balancing and Settlement Code (BSC);
  - (e) the System Operator – Transmission Owner Code (STC);

##### **Part A: Requirements for cooperation**

2. This condition shall apply where the licensee has entered into a framework agreement or otherwise acceded to any of:
  - (a) the Grid Code;
  - (b) the Distribution Code;
  - (c) the CUSC;
  - (d) the BSC; or
  - (e) the STC.
3. The licensee will cooperate with the Authority and/or any person(s) appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any reasonable requests in relation to planning, project assurance and/or

coordination/systems integration in order to give full effect to the conclusions of a Significant Code Review.

4. Cooperation for the purposes of paragraph 3 may include but is not limited to:
  - (a) the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a Significant Code Review;
  - (b) the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;
  - (c) the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;
  - (d) the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing;
  - (e) all reasonable steps to:
    - (i) meet key programme milestones for the completion of any action(s) assigned to the licensee;
    - (ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;
    - (iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and
    - (iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

## **Condition E10 Use of System charging and methodology**

### **Introduction**

1. The purpose of this condition is to establish the licensee's obligations relating to the Use of System Charges, and to conform to the Use of System Charging Methodology as modified in accordance with Part B of this condition and condition E2 (Connection and Use of System Code (CUSC)).

### **Part A: Use of System charges**

2. The licensee must:
  - (a) determine a Use of System Charging Methodology approved by the Authority; and

- (b) conform to the Use of System Charging Methodology as modified in accordance with Part B of this condition and condition E2.
3. The licensee must:
- (a) prepare a statement approved by the Authority of the Use of System Charging Methodology;
  - (b) prepare, other than in respect of a charge that the Authority has consented need not appear, a statement, in a form approved by the Authority, of the Use of System Charges determined in accordance with the Use of System Charging Methodology and in such form and detail as necessary to enable any person to make (other than in relation to charges to be made or levied in respect of the Balancing Services Activity) a reasonable estimate of the charges to which the person would become liable for the provision of such services; and
  - (c) without prejudice to paragraph 6 of this condition or condition E2 if any change is made in the Use of System Charges other than in relation to charges to be made in respect of the Balancing Services Activity, or the Use of System Charging Methodology, the licensee must (before the changes take effect) provide the Authority (before the changes take effect) with a revision of the Use of System Charging Statement (or if the Authority so accepts, with amendments to the previous such statement) and/or (as the case may be) with a revision of the statement of the Use of System Charging Methodology, which reflect the changes.
4. Approvals by the Authority pursuant to paragraphs 2(a) and 3(a) may be granted subject to such conditions relating to further action to be undertaken by the licensee in relation to the Use of System Charging Methodology better meeting the relevant objectives including, but not limited to, matters identified in any initial consultation by the Authority, as the Authority deems appropriate. Such conditions may include, but are not limited to, elements relating to the time by which action under the conditions must be completed.
5. Nothing in this condition affects the ability of the licensee to charge according to the statement issued pursuant to paragraph 3(b).
6. The licensee:
- (a) shall give, except where the Authority consents to a shorter period, 150 days' notice to the Authority of any proposals to change the Use of System Charges, other than in relation to charges to be made in respect of the Balancing Services Activity, together with a reasonable assessment of the effect of the proposals (if implemented) on those charges;
  - (b) except insofar as the Authority otherwise directs or consents, must not make any changes to the Use of System Charges more frequently than once in each Financial Year such that any change will take effect on 01 April in a Financial Year; and

- (c) where it has decided to implement any proposals to change Use of System Charges other than in relation to charges to be made in respect of the Balancing Services Activities, must give the Authority notice of its decision and the date on which the proposal will be implemented which must not, without the consent of the Authority, be less than 1 month after the date on which the notice required by this paragraph is given.
7. Unless otherwise determined by the Authority, the licensee must only enter the Use of System arrangements, which secure that Use of System Charges will conform with the statement last furnished under paragraph 3(b), either:
- (a) before it enters the arrangements; or
  - (b) before the charges in question are made,
- and, for the purposes of this paragraph, the reference to the statement last furnished under paragraph 3(b) must be construed, where that statement is subject to amendments so furnished before the relevant time, as a reference to that statement as so amended.
8. References in paragraphs 2, 3, 6, and 7 to charges do not include references to:
- (a) Connection Charges; or
  - (b) charges determined by reference to the provisions of the CUSC, if any, that have been accepted and determined by the Authority.
9. The licensee may periodically revise the information set out in and, with the approval of the Authority, alter the form of the statements prepared in accordance with paragraph 3 and must, at least once in every year that this licence is in force, make such revisions as may be necessary to such statements in order that the information set out in the statements continue to be accurate in all material respects.
10. The licensee must send a copy of any such statement, revision, amendment, or notice given under paragraphs 3 to 6 to any person who asks for any such statement, revision, amendment, or notice.
11. The licensee may make a charge for any statement, revision, or amendment of a statement, furnished, or notice sent pursuant to paragraph 10 of an amount reflecting the licensee's reasonable costs of providing such statement, revision, amendment or notice which costs must not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

#### **Part B: Use of System charging methodology**

12. The licensee must, for the purpose of ensuring that the Use of System Charging Methodology achieves the relevant objectives, keep the Use of System Charging Methodology at all times under review.
13. The licensee must, subject to condition E2 and in accordance with the relevant provisions of the CUSC, make such modifications of the Use of System Charging



Methodology as may be requisite for the purpose of better achieving the relevant objectives.

14. The 'relevant objectives' in paragraphs 4, 12 and 13 mean the following objectives:
- (a) that compliance with the Use of System Charging Methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;
  - (b) that compliance with the Use of System Charging Methodology results in charges that reflect, as far as is reasonably practicable, the costs (excluding any payments between the licensee and Transmission Licensees that are made under and in accordance with the System Operator – Transmission Owner Code (STC)) incurred by Transmission Licensees in their Transmission Businesses, and that are compatible with condition C12 (Requirements of a Connect and Manage Connection);
  - (c) that, so far as is consistent with paragraphs 14(a) and 14(b), and is reasonably practicable, the Use of System Charging Methodology properly takes account of the developments in Transmission Licensees' Transmission Businesses and the ISOP Business;
  - (d) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and
  - (e) promoting efficiency in the implementation and administration of the Use of System Charging Methodology.
15. Nothing in this condition impacts on the application of [Special Licence Condition 4C (Balancing Services Activity Revenue Restriction on External Costs)].

### **Part C: Use of System charging requirements under the Electricity Directive**

16. The licensee must:
- (a) as soon as reasonably practicable, publish the Use of System Charging Statements;
  - (b) obtain the Authority's approval to the Use of System Charging Statements before publication; and
  - (c) conform to the published and approved Use of System Charging Statements.

## **Condition E11 Connection Charging Methodology**

### **Introduction**

1. The purpose of this condition is to establish the licensee's duties relating to the Connection Charging Methodology:
- (a) in Part A, a description of the Connection Charging Methodology;
  - (b) in Part B, a description of Connection Charges;

- (c) in Part C, a description of the Connection Charging Methodology Statement; and
- (d) in Part D, setting out the Connection Charging requirements under the Electricity Directive.

### **Part A: Connection Charging Methodology**

2. The licensee must conform to the Connection Charging Methodology as modified in accordance with condition E2 (Connection and Use of System Code (CUSC)) and in accordance with the relevant provisions of the CUSC.
3. To ensure that the Connection Charging Methodology achieves the Applicable Connection Charging Objectives, the licensee must keep the Connection Charging Methodology under review.
4. The licensee must, subject to condition E2 and in accordance with the relevant provisions of the CUSC, make such modifications to the Connection Charging Methodology as may be requisite for the purpose of to better achieving the Applicable Connection Charging Objectives.
5. The licensee must maintain a Connection Charging Methodology Statement approved by the Authority in relation to charges, including charges:
  - (a) for carrying out works and providing and installing electrical lines or electrical plant or meters for the purposes of connection (at entry or exit points) to the National Electricity Transmission System;
  - (b) in respect of extension or reinforcement of the National Electricity Transmission System rendered (at the discretion of a Transmission Licensee where the extension or reinforcement is of that licensee's Transmission System) necessary or appropriate by virtue of the licensee providing connection to or Use of System to any person seeking connection;
  - (c) in circumstances where the electrical lines or electrical plant to be installed are (at the discretion of a Transmission Licensee where the electrical lines or electrical plant which are to be installed will form part of that licensee's Transmission System) of greater size than that required for Use of System by the person seeking connection;
  - (d) for maintenance and repair (including any capitalised charge) required of electrical lines or electrical plant or meters provided or installed for the purposes of making a connection to the National Electricity Transmission System; and
  - (e) for disconnection from the National Electricity Transmission System and the removal of electrical plant, electrical lines and meters following disconnection,

and the Connection Charging Methodology Statement must be in a form and include such detail necessary to enable any person to determine that the charges to

which the person would become liable for the provision of such services are in accordance with the Connection Charging Methodology Statement.

6. The Authority may grant an approval in accordance with paragraphs 2 and 5, subject to such conditions relating to further action to be undertaken by the licensee in relation to the Connection Charging Methodology better meeting the Applicable Connection Charging Objectives as identified in any initial consultation by the Authority as the Authority deems appropriate. Such conditions may include (but are not limited to) elements relating to the time by which actions under this condition need to be completed.

### **Part B: Connection Charges**

7. Nothing in this condition shall affect the ability of the licensee to charge according to the Connection Charging Methodology Statement.
8. Unless otherwise determined by the Authority, the licensee must only enter into a Bilateral Agreement or a Construction Agreement which secures that the Connection Charges will conform with the Connection Charging Methodology Statement last furnished under paragraphs 5 or 10 either:
  - (a) before it enters into the arrangements; or
  - (b) before the charges are made.
9. The Connection Charging Methodology must make provision for Connection Charges for those items referred to in paragraph 5 to be set at a level for connections made after 30 March 1990 which will enable the licensee to recover:
  - (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the National Electricity Transmission System or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters; and
  - (b) a reasonable rate of return on the capital represented by such costs, and for connections made before 30 March 1990 to the National Electricity Transmission System, the Connection Charging Methodology for those items referred to in paragraph 5 shall as far as is reasonably practicable reflect the principles of paragraphs 9(a) and 9(b).

### **Part C: Connection Charging Methodology Statement**

10. Where changes to the Connection Charging Methodology, are made in accordance with condition E2 and the relevant provisions of the CUSC, the licensee must provide the Authority with a revised Connection Charging Methodology Statement showing the changed Connection Charging Methodology and such revised Connection Charging Methodology Statement will supersede previous Connection Charging Methodology Statements furnished under paragraph 5 or this paragraph from the date specified within.

11. The Connection Charging Methodology Statement must, where practicable, include examples of the Connection Charges likely to be made in different cases as determined in accordance with the methods and principles shown in the statement.
12. The licensee must send a copy of any Connection Charging Methodology Statement or revision thereof or report furnished under paragraphs 5 or 10 to any person who asks for any such Connection Charging Methodology Statement or revision thereof or report.
13. The licensee may make a charge for any Connection Charging Methodology Statement or revision thereof or report, provided or sent pursuant to paragraph 12 of an amount reflecting the licensee's reasonable costs of providing such, which costs must not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.
14. Nothing in this condition shall impact on the application of condition [4C (Balancing Services Activity Revenue Restriction on External Costs)].

#### **Part D: Connection charging requirements under the Electricity Directive**

15. To the extent not already required under this licence, and for the avoidance of doubt:
  - (a) the licensee must, as soon as reasonably practicable, publish the most recent Connection Charging Methodology Statement;
  - (b) the licensee must obtain the Authority's approval to the Connection Charging Methodology Statement before publication; and
  - (c) the licensee must conform to the published and approved Connection Charging Methodology Statement.

### **Condition E12 Requirement to offer terms**

#### **Introduction**

1. The purpose of this condition is to set out the requirements on application for connection, the expectations to offering or entering into an agreement, and the timeframes for which the licensee must follow.

#### **Part A: Connection application requirements**

2. Unless otherwise determined by the Authority under condition E13 (Functions of the Authority), on application made by:
  - (a) an Authorised Electricity Operator in the case of an application for Use of System; and
  - (b) any person in the case of an application for connection,the licensee must (subject to paragraph 8) offer to enter into the CUSC Framework Agreement.

3. On application made by any person or any Authorised Electricity Operator in accordance with paragraph 2, the licensee must, where required by the STC, notify other STC Parties in accordance with the STC and, for the purpose of making an offer for connection or modification to an existing connection or for Use of System, must co-operate and coordinate its activities with any other STC Parties in accordance with the STC.
4. On application made by any person the licensee must (subject to paragraph 8) offer to enter into a Bilateral Agreement and/or a Construction Agreement relating to connection or modification to an existing connection and such offer must reflect any Associated TO Offer which relates to that offer, and must make detailed provision regarding:
  - (a) the carrying out of work (if any) required to connect the National Electricity Transmission System to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;
  - (b) the carrying out of works (if any) in connection with the extension or reinforcement of the National Electricity Transmission System rendered (at the discretion of an STC Party where the works are to be carried out on that STC Party's Transmission System) appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose;
  - (c) where there is a need for the Authority to identify an Offshore Transmission Owner, the initial assumptions made by the licensee regarding the carrying out of works in connection with the extension or reinforcement of the National Electricity Transmission System, including initial assumptions regarding any Developer-Associated Offshore Wider Works, where relevant, rendered appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose;
  - (d) the installation of appropriate meters (if any) required to enable the licensee to measure electricity being accepted into the National Electricity Transmission System at the specified entry point or points or leaving such system at the specified exit point or points;
  - (e) the date by which any works required to permit access to the National Electricity Transmission System (including for this purpose any works to reinforce or extend the National Electricity Transmission System) must be completed (time being of the essence unless otherwise agreed by the person seeking connection);
  - (f) the Connection Charges to be paid to the licensee, such charges:
    - (i) to be presented in a way that can be referred to the Connection Charging Methodology or any revision thereof; and

- (ii) to be set in conformity with the requirements of paragraph 9 of condition E11 (Connection charging methodology) and (where relevant) paragraph 5 of this condition; and
  - (g) such further terms as are or may be appropriate for the purpose of the agreement.
- 5. For the purpose of determining an appropriate proportion of the costs directly or indirectly incurred in carrying out works under a Bilateral Agreement and/or Construction Agreement, the licensee will have regard to:
  - (a) the benefit (if any) to be obtained or likely in the future to be obtained by any Transmission Licensee or any other person as a result of carrying out such works whether by reason of the reinforcement or extension of the National Electricity Transmission System or the provision of additional entry or exit points on such system or otherwise; and
  - (b) the ability or likely future ability of any Transmission Licensee to recoup a proportion of such costs from third parties.
- 6. The licensee must offer terms in accordance with paragraphs 2 and 4 as soon as practicable and (except where the Authority consents to a longer period) in any event not more than the period specified in paragraph 10 after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer.
- 7. The licensee must have in place and publish governance arrangements for the processes it undertakes when identifying (and keeping under review) the solution that would best facilitate compliance with its Primary Duty and Secondary Duty to be included in the offer to enter into a Bilateral Agreement and/or Construction Agreement under this condition.

**Part B: Exceptions to offering or entering into any agreement**

- 8. The licensee shall not be obliged pursuant to this condition to offer to enter or to enter into any agreement if:
  - (a) to do so would be likely to involve the licensee:
    - (i) in breach of its duties in statute;
    - (ii) in breach of any regulations made under section 29 of the Electricity Act 1989 or of any other enactment relating to safety or standards applicable in respect of the ISOP Business;
    - (iii) in breach of the Grid Code; or
    - (iv) in breach of the conditions of the Electricity System Operator Licence; or
  - (b) the person making the application does not undertake to be bound insofar as applicable by the terms of the Grid Code and/or the CUSC from time to time in force; or

- (c) in the case of persons making application for Use of System under paragraph 2, such person ceases to be an Authorised Electricity Operator; or
  - (d) it is unable to do so due to a Transmission Licensee having notified the licensee that, for one or more of the reasons set out in paragraph 4 of standard condition D4A and E17 (Obligations in relation to offers for connection etc) of the Transmission Licence, it is not obliged to offer to enter or to enter into any agreement with the licensee in accordance with paragraph 1 or paragraph 3 of standard condition D4A or E17 (Obligations in relation to offers for connection etc) of the Transmission Licence and that it does not intend to offer to enter or to enter into any such agreement; or
  - (e) it is unable to do so due to another STC Party having notified the licensee in accordance with the STC that it is not obliged to offer to enter or to enter into any agreement with the licensee; or
  - (f) if to do so would extend the National Electricity Transmission System beyond the Transmission Area of any Transmission Licensee and the required works could not be undertaken by an Offshore Transmission Owner.
9. In any such case the licensee must give duly substantiated reasons for not offering to enter or not entering into any agreement.

### **Part C: Timeframes**

10. For the purposes of paragraph 6, the period specified must be:
- (a) in the case of persons seeking Use of System only and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such use, 28 days; and
  - (b) in the case of persons seeking a Bilateral Connection Agreement or a Construction Agreement (and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such agreements), 3 months; and
  - (c) in any other case, 28 days.
11. The licensee must within 28 days following receipt of a request from any person, give or send to such person such information in the possession of the licensee as may be reasonably required by such person for the purpose of completing an application under the Application Regulations or such provisions of similar effect contained in any further regulations.
12. On receipt of notice from the Authority that an Offshore Transmission Owner has been identified, the licensee must propose to vary the contractual terms of a Bilateral Connection Agreement and/or Construction Agreement entered into pursuant to paragraph 4, within 3 months to reflect any changes needed as a

consequence of a TO Offer from an Offshore Transmission Owner being different from the initial assumptions made by the licensee under paragraph 4(c).

13. Within 28 days following receipt of a notice from the Authority regarding:
  - (a) a decision pursuant to paragraph 14 of condition D4 (Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner) on the rationale for the inclusion of Developer-Associated Offshore Wider Works in the scope of an agreement entered into in accordance with paragraph 5 of this condition; or
  - (b) a decision pursuant to paragraph 17 of condition D4 on the continuing rationale for the inclusion of Developer-Associated Offshore Wider Works in the scope of an agreement entered into in accordance with paragraph 4, the licensee must, if necessary, propose to vary the contractual terms of a Bilateral Connection Agreement and/or Construction Agreement entered into pursuant to paragraph 4 to reflect any changes needed as a consequence of paragraphs 13(a) or 13(b).
14. In making an offer to an Existing Offshore Generator in accordance with paragraph 4 of this condition, the licensee must offer to enter into an agreement that reflects the terms of any Relevant Offshore Agreement that:
  - (a) the licensee has with the Existing Offshore Generator;
  - (b) a Licensed Distributor has with the Existing Offshore Generator that has been notified to the licensee in accordance with the CUSC.
15. The licensee must within 28 days after the end of the following 6 monthly periods:
  - (a) 1 April until 30 September; and
  - (b) 1 October until 31 March,Submit to the Authority a report in relation to all offers made under paragraph 4 o during that 6 month period setting out the factors which have influenced the date identified in each offer in accordance with paragraph 4(e) including the following:
  - (i) information on the timescales for connection, and how this may vary by location, type and size of connection;
  - (ii) key issues that have an impact or have had an impact on the timetable for delivery of the connection; and
  - (iii) any issues likely to impact timing of connections going forward.
16. A non-confidential, combined version of this report and the reports provided to the licensee under standard condition D4A (Obligations in relation to offers for connection etc) of the Transmission Licence must also be published by the licensee within 10 days after the later of:



- (a) the receipt by the licensee of the last of the reports under standard condition D4A of the Transmission Licence; and
- (b) the date by which the licensee is required to submit its report to the Authority pursuant to paragraph 15.

## **Condition E13 Functions of the Authority**

### **Introduction**

1. The purpose of this condition is to set out the licensee's obligations with respect to disputes to be settled by the Authority.

### **Part A: Considerations for the Authority's settlement of disputes**

2. If, after a period which appears to the Authority to be reasonable for the purpose, the licensee has failed to enter into an agreement with (as the case may be) any Authorised Electricity Operator or any person entitled or claiming to be entitled thereto pursuant to a request under condition C8 (Requirement to offer terms), the Authority may, pursuant to section 7(3)(c) of the Electricity Act 1989 and on application of such Authorised Electricity Operator or such person or the licensee, settle any terms in dispute of the agreement to be entered into between the licensee and that Authorised Electricity Operator or that person in such manner as appears to the Authority to be reasonable having (where relevant) regard in particular to the following considerations:
  - (a) that such Authorised Electricity Operator or such person must pay to the licensee:
    - (i) in the case of Use of System, Use of System Charges in accordance with paragraphs 2 and 7 of condition E10 (Use of System charging and methodology); or
    - (ii) in the case of connection, Connection Charges in accordance with paragraphs 2 and 8 of condition E11 (Connection Charging Methodology);
  - (b) that the performance by the licensee of its obligations under the agreement should not cause it to be in breach of those provisions referred to in paragraph 8 of condition E12 (Requirement to offer terms);
  - (c) that the performance by any Transmission Licensee of its obligations under any Associated TO Agreement should not cause any Transmission Licensee to be in breach of those provisions referred to in paragraph 5 of standard condition D4A or E17 (Obligations in relation to offers for connection etc) of the Transmission Licence;
  - (d) that the performance by another STC Party of its obligations under any Associated TO Agreement should not cause that STC Party to be in breach of the STC;

- (e) that any methods by which the National Electricity Transmission System is connected to any other system for the transmission or distribution of electricity accord (insofar as applicable to the licensee) with the Grid Code, the STC and the Distribution Code;
- (f) that the initial assumptions made (if any) by the licensee in accordance with paragraph 4(c) of condition E12 were reasonable; and
- (g) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under condition E12 should be in as similar a form as is practicable.

### **Part B: Licensee's obligations**

3. If an application is made in accordance with paragraph 2, the licensee must:
  - (a) notify the Authority of:
    - (i) any Associated TO Offer which relates to the agreement to be entered into which is the subject of that application;
    - (ii) any need for an Offshore Transmission Owner to be identified which relates to the agreement to be entered into which is subject of that application;
    - (iii) any STC Party (other than a Transmission Licensee who has made a TO Offer) which the licensee knows or reasonably considers is or may be an affected STC Party for the purposes of the agreement to be entered into which is the subject of that application or any Associated TO Offer which relates to the agreement to be entered into;
  - (b) notify each Transmission Licensee who has made an Associated TO Offer which relates to the agreement to be entered into and any other STC Party which the licensee knows or reasonably considers is or may be an affected STC Party for the purposes of the agreement to be entered into which is the subject of that application or any Associated TO Offer which relates to the agreement to be entered into, of such application; and
  - (c) request that the Authority exercise its powers under section 7(3)(c) of the Electricity Act 1989 to:
    - (i) settle the terms of each Associated TO Offer which is affected by the Authority's determination made pursuant to paragraph 2 or paragraph 3(c); and
    - (ii) determine whether any TO Offer (other than those TO Offers (if any) which the licensee shall have notified to the Authority in accordance with paragraph 3(a)) is required in connection with the Authority's determination made pursuant to paragraph 2 or this paragraph 3(c).
4. Insofar as any person entitled or claiming to be entitled to an offer under condition E12 wishes to proceed on the basis of an agreement as settled by the Authority pursuant to paragraph 2, the licensee must enter into such agreement.

### **Part C: Disputes related to Bilateral Agreements and Construction Agreements**

5. If in respect of any Bilateral Agreement or Construction Agreement entered into pursuant to condition E12 or this condition, either the licensee or other party to such agreement proposes to vary the contractual terms of such agreement in any manner provided for under such agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable.
6. If a request is made in accordance with paragraph 5, the licensee must:
  - (a) notify the Authority of any Associated TO Agreement which relates to the agreement which is the subject of that request;
  - (b) notify each Transmission Licensee who is a party to an Associated TO Agreement notified to the Authority pursuant to paragraph 6(a); and
  - (c) request that the Authority exercise its powers under section 7(3)(c) of the Electricity Act 1989 to settle the terms of each Associated TO Agreement which is affected by the Authority's determination made pursuant to paragraph 5.

### **Part D: Disputes related to Relevant Agreements**

7. Where the licensee is party to a Relevant Agreement for connection and/or Use of System which is other than in conformity with the CUSC, if either the licensee or other party to such agreement for connection and/or Use of System proposes to vary the contractual terms of such agreement in any manner provided for under such Relevant Agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable having (where relevant) regard to the consideration that the terms so settled are, in so far as circumstances allow, similar to the equivalent terms in the CUSC.
8. If a request is made in accordance with paragraph 7, the licensee must:
  - (a) notify the Authority of any Associated TO Agreement which relates to the agreement which is the subject of that request;
  - (b) notify each STC Party who is a party to an Associated TO Agreement notified to the Authority pursuant to paragraph 8(a); and
  - (c) request that the Authority exercise its powers under section 7(3)(c) of the Electricity Act 1989 to settle the terms of each Associated TO Agreement which is affected by the Authority's determination made pursuant to paragraph 7.
9. If the licensee and a CUSC User or other person or party to a Relevant Agreement are in dispute as to whether:
  - (a) Use of System Charges made, or to be made, conform with the statement of the Use of System Charges furnished under paragraphs 2(b) or 8 of

condition C4 (Charges for use of system), condition C4A (Charges for use of the licensee's transmission system) or condition C7 (Charges for Use of System) (as appropriate) which applied or applies in relation to the period in respect of which the dispute arises;

(b) Connection Charges made, or to be made, conform with the statement of the Connection Charging Methodology furnished under paragraphs 4 or 10 of standard condition C6 (Connection charging methodology), standard condition C6A (E&W connection charging methodology) or standard condition C7B (Connection Charging Methodology) (as appropriate) which applied or applies in relation to the period in respect of which the dispute arises, such dispute may be referred to the Authority for determination whether, in the case of paragraph 9(a), the charges made, or to be made, conformed with the relevant statement(s) furnished under condition C4 (Charges for use of system), condition C4A (Charges for use of the licensee's transmission system) or condition C7 (Charges for Use of System) (as appropriate), or whether, in the case of paragraph 9(b), the charges conformed with the relevant methodology.

10. For the purposes of paragraph 9 of this condition only, the following words shall, unless the context otherwise requires, have the meaning ascribed to that term in the electricity transmission licence standard conditions which applied or applies in relation to the period in respect of which the dispute arises:

- (a) Connection Charges;
- (b) Connection Charging Methodology; and
- (c) Use of System Charges.

## **Condition E14 Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations**

### **Introduction**

1. The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges it imposes when carrying on its licensed activities and to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:

- (a) from the persons; and
- (b) in the manner,

specified in such Shortfall Direction, and to pay such amounts to the Shortfall Payment Recipients specified in the Shortfall Direction.

## **Part A: Specifying Shortfall Directions**

2. Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration, the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions (including one or more Shortfall Direction to modify or replace any previously issued Shortfall Direction(s)) to the licensee specifying:
  - (a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in paragraph 2(f));
  - (b) the amount to be raised by the licensee and applied in making good the shortfall;
  - (c) the Shortfall Payment Recipients to whom the amount referred to in paragraph 2(b) is to be paid;
  - (d) the rate or rates of interest applicable to any part or parts of the amount referred to in paragraph 2(b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;
  - (e) the method or methods by which the licensee may raise the amount referred to in paragraph 2(b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee's normal billing cycle);
  - (f) the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in paragraph 2(b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);
  - (g) where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in paragraph 2(b) is to be applied in discharging those debts;
  - (h) the extent to which a subsequent Shortfall Direction modifies or replaces a previously issued Shortfall Direction;
  - (i) where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 5;
  - (j) the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised;

and the licensee must comply with any such Shortfall Direction.

## **Part B: Compliance with the Shortfall Direction**

3. As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:

- (a) modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee's discretion, any Permitted Administration Fee); and
  - (b) notify the persons who are subject to the charges so modified of:
    - (i) the modifications made to the charges;
    - (ii) any modification to the date or time period within which such charges must be paid;
    - (iii) the reason for those modifications; and
    - (iv) the interest rate applicable to late payment of such modified charges.
- 4. The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph 3(a) (excluding any Permitted Administration Fee) to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction, and the licensee shall not at any time be under any liability:
  - (a) to make any payments to any Shortfall Payment Recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any Permitted Administration Fee); or
  - (b) to pay interest to any Shortfall Payment Recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of monies to the licensee.
- 5. Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previously issued Shortfall Direction, if the amount raised by the licensee under paragraph 3(a) (excluding any Permitted Administration Fee):
  - (a) is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:
    - (i) as soon as reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and

- (ii) pay that amount to the Shortfall Payment Recipients as soon as reasonably practicable but otherwise in accordance with the Shortfall Direction; or
  - (b) is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must, as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.
- 6. For the purposes of paragraph 3(a) and 5:
  - (a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence and/or the CUSC and any charges levied by the licensee after modification pursuant to paragraph 3(a) or 5 of this condition shall be deemed to be compliant with the licensee's obligations under condition E10 (Use of System charging and methodology) as from time to time amended;
  - (b) the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and
  - (c) in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or such differences in charges are required to give effect to the Shortfall Direction.
- 7. The licensee must, immediately after making any payment under paragraphs 4 or 5, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.
- 8. In calculating the licensee's revenue during any period for the purposes of any Charge Restriction Condition, any change in the licensee's revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.
- 9. The licensee must prepare, in respect of each Financial Year in which its charges are modified in pursuance of paragraph 3(a) or 5, a statement showing:
  - (a) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 3(a);
  - (b) the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph 5(a);

- (c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph 5(b); and
  - (d) the aggregate payments made by the licensee during that Financial Year in accordance with paragraph 4 and, where applicable, paragraph 5(a),
- and must give the statement to the Authority within 4 months of the expiration of the period to which it relates.
10. On giving the statement mentioned in paragraph 9 to the Authority, the licensee must also publish it on its website.
  11. In this condition:
    - (a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;
    - (b) any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;
    - (c) any words or expressions used in the Smart Meters Act 2018 shall, unless the contrary intention appears, have the same meaning as they do in that Act when used in this condition.

## **Condition E15 Assistance for Areas with High Distribution Costs Scheme (AAHDCS)**

### **Introduction**

1. The purpose of this condition is to establish:
  - (a) the restriction on revenue;
  - (b) payments from Authorised Suppliers;
  - (c) payments to a Relevant Distributor; and
  - (d) an annual statement,

in relation to the Assistance for Areas with High Distribution Costs Scheme (AAHDCS).

### **Part A: Restriction on revenue**

2. The licensee must use its best endeavours to ensure that, in each Relevant Year, the revenue derived by the licensee from the AAHDCS Activity does not exceed the Total Scheme Amount for that Relevant Year as calculated in accordance with the following formula:

$$HBM_t = A_t + SA_t + (HBOC_t - HBK_t)$$

where



- HBM<sub>t</sub> represents the Total Scheme Amount in relation to the Relevant Year t.
- A<sub>t</sub> represents the Assistance Amount in relation to the Relevant Year t.
- SAt represents the Shetland Assistance Amount in relation to the Relevant Year t.
- HBOC<sub>t</sub> represents the Administration Allowance in relation to the Relevant Year t.
- HBK<sub>t</sub> represents the Correction Amount in relation to the Relevant Year t.

3. For the purposes of paragraph 2, for each Relevant Year, the Assistance Amount shall be derived from the following formula:

$$A_t = A_{t-1}(1 + (\text{CPIH}_t/100))$$

where

- A<sub>t-1</sub> represents the Assistance Amount in relation to the Relevant Year t-1.
- CPIH<sub>t</sub> means the percentage change (whether of a positive or a negative value) in the arithmetic average of the CPIH figures published or determined with respect to each of the six months May to October (both inclusive) in relation to the Relevant Year t-1 and that are published or determined with respect to the same months in relation to the Relevant Year t-2.

4. For the purposes of paragraph 2, for each Relevant Year, the Shetland Assistance Amount shall be derived from the following formula:

$$SA_t = SA_{t-1} \left( 1 + \frac{\text{CPIH}_t}{100} \right)$$

where

- SAt-1 represents the Shetland Assistance Amount in relation to the Relevant Year t-1.
- CPIH<sub>t</sub> has the meaning given in paragraph 3.

5. For the purposes of paragraph 2, for each Relevant Year, the Administration Allowance shall be derived from the following formula:

$$HBOC_t = HBOC_{t-1}(1 + (CPIH_t/100))$$

where

HBOC<sub>t-1</sub> represents the Administration Allowance in relation to the Relevant Year t-1.

CPIH<sub>t</sub> has the meaning given in paragraph 3.

6. For the purposes of paragraph 2, for each Relevant Year the Correction Amount shall have the value derived from the following formula:

$$HBK_t = (HBC_{t-1} - HBM_{t-1})(1 + (I_t/100))$$

where

HBC<sub>t-1</sub> means the total income from payments received from Authorised Suppliers during the Relevant Year t-1 pursuant to Part B of this condition, excluding any interest on Late Payments.

HBM<sub>t-1</sub> means the Total Scheme Amount in relation to the Relevant Year t-1.

I<sub>t</sub> represents the Base Interest Rate in relation to the Relevant Year t as of the date upon which such calculation under paragraph 2 above is conducted.

7. For the purposes of paragraphs 3 to 6, where the Relevant Year t-1 is the year beginning on 1 April 2022, the following amounts in relation to that year are the amounts calculated in accordance with this condition as in force immediately before 1 April 2023:

- (a) the Assistance Amount;
- (b) the Shetland Assistance Amount;
- (c) the Administration Allowance;
- (d) the Total Scheme Amount

### **Part B: Payments from Authorised Suppliers**

8. Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005, the licensee must collect payments from Authorised Suppliers in accordance with the provisions of this condition.

9. For each Relevant Year the licensee must calculate an AAHDCS Tariff (in p/kWh) by dividing the Total Scheme Amount by a reasonable forecast of the total Units of Electricity Supplied within Great Britain by Authorised Suppliers during the Relevant Year.
10. For each Relevant Year, the licensee must calculate a Shetland AAHDCS Tariff (in p/kWh) by dividing the total Shetland Assistance Amount by a reasonable forecast of the total Units of Electricity Supplied within Great Britain by Authorised Suppliers during the Relevant Year.
11. The licensee must issue to each Authorised Supplier an invoice for the amount determined by applying the AAHDCS Tariff to the Units of Electricity Supplied by each Authorised Supplier during each period in relation to the Relevant Year t specified in the following table and such invoices must be issued in respect of each such period in relation to the Relevant Year t by the dates specified in the following table specifying the amount due and the date required for payment of such amount by the Authorised Supplier which shall not be more than 28 days from the date of the invoice.

<b>Period in Relevant Year</b>	<b>Invoice dates in relation to Relevant Year</b>
April to June	15 August
July to September	15 November
October to December	15 February
January to March	15 May

12. For each Relevant Year, for the purpose of information, each invoice issued to an Authorised Supplier pursuant to paragraph 11 must specify the amount determined by applying the Shetland AAHDCS Tariff to the Units of Electricity Supplied by that Authorised Supplier during each period in relation to the Relevant Year t specified in the table in paragraph 11.
13. The invoices issued pursuant to paragraph 11 may also include a separate amount payable by an Authorised Supplier representing an interest charge of 8 per cent above the Base Interest Rate on any payment not made to the licensee by the Authorised Supplier on the date specified calculated for each day after the date on which any payment relating to a previous invoice or to previous invoices should have been made up to the date on which such payment was actually made.
14. For each Relevant Year, the licensee must prepare a statement setting out in respect of such Relevant Year:
  - (a) the methodology used to calculate the AAHDCS Tariff (in p/kWh);
  - (b) the AAHDCS Tariff (in p/kWh) that will apply in the Relevant Year;
  - (c) the terms for payment of invoices issued under paragraph 11 including the dates by which such invoices must be paid;

- (d) a statement that the level of interest to be applied to any Late Payments by an Authorised Supplier must be 8% above the Base Interest Rate as calculated and applied in accordance with paragraph 12;
  - (e) contact details which can be used if an Authorised Supplier has any queries concerning the operation of the AAHDCS;
  - (f) a statement of the Administration Allowance; and
  - (g) a statement of the Assistance Amount payable by the licensee in relation to the Relevant Year, together with details of the payments payable by the licensee on the payment dates in relation to the Relevant Year specified in Part C of this condition.
15. For each Relevant Year the statement made pursuant to paragraph 14 must also set out:
- (a) the methodology used to calculate the Shetland AAHDCS Tariff;
  - (b) the Shetland AAHDCS Tariff that will apply in the Relevant Year; and
  - (c) a statement of the Shetland Assistance Amount payable by the licensee in relation to the Relevant Year, together with details of the payments payable by the licensee on the payment dates in relation to the Relevant Year specified in Part C of this condition.
16. For each Relevant Year, as soon as reasonably practicable after the preparation of the statement made pursuant to paragraph 15 and not less than 1 month prior to issuing the first invoice in the Relevant Year to which such statement relates, the licensee shall provide a copy of the statement to the Authority, Authorised Suppliers and to a Relevant Distributor. Where a person becomes an Authorised Supplier on a date after the statement has been provided under this paragraph, the licensee must provide a copy to such Authorised Supplier as soon as reasonably practicable after such date.
17. The licensee must send a copy of any statement prepared pursuant to paragraph 14 to any person who requests a copy.
18. The licensee may make a charge for any copy of a statement sent pursuant to paragraph 17 of an amount reflecting the licensee's reasonable costs of providing such copy which costs must not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

**Part C: Payments to a Relevant Distributor**

19. Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 the licensee must in respect to each Relevant Year pay to a Relevant Distributor the Assistance Amount in the proportions specified in the table below and on the payment dates specified therein.

<b>Payment dates</b>	<b>Proportion of Assistance Amount payable on payment date</b>
15 September	23%
15 December	22%
15 March	27%
15 June	28%

For the avoidance of doubt, the payments required by Part C of this condition must be made to a Relevant Distributor by the licensee whether or not sufficient monies have been received by the licensee from Authorised Suppliers pursuant to Part B of this condition.

20. In respect of each Relevant Year, the licensee must pay to a Relevant Distributor the Shetland Assistance Amount in the proportions specified and on the payment dates specified in the table in paragraph 19.

**Part D: Annual statement**

21. As soon as practicable after issuing the last invoice in any Relevant Year pursuant to Part B of this condition the licensee must provide the Authority and a Relevant Distributor with a statement of the Total Scheme Amount and the mechanism for and the values of the components used in the calculation of the Total Scheme Amount with respect to the Relevant Year.

## Price control

[Price control provisions will form part of a later consultation]

DRAFT

## Financial Provisions

[Financial provisions will form part of a later consultation]

DRAFT