

To: National Grid Electricity Transmission Plc

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

**Modification of the special conditions of the electricity transmission licence held
by National Grid Electricity Transmission Plc**

1. National Grid Electricity Transmission Plc ('NGET'), is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 19 April 2023 ('the Notice') that we propose to modify the defined terms 'Civil Related Works' and 'Use It Or Lose It Adjustment' in SpC 1.1.16 and SpC 3.32 (Civil Related Works Re-opener (CWRt)) of the Licence. We stated that any representations to the modification proposal must be made on or before 26 May 2023.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response from NGET to the Notice, which we carefully considered. We have placed the non-confidential response on our website. Our response to these comments is set out in the accompanying notice to vary the conditional direction.
5. The modifications to the Licence are set out in Schedules 1 and 2. It is necessary to make a minor alteration to the modifications set out in the Notice. The alteration is shown in yellow highlight in the attached Schedule 1. The reasons for the difference between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to address minor issue on item numbering.
6. We are making these licence changes because:
 - a. removing the reference to the date of the NGET Redacted Information Document in SpC 1.1.16 enables the version in force to be the latest iteration of the document received by NGET from the Authority, and
 - b. adding the Price Control Deliverables into Appendix 1 of SpC 3.14 gives effect to our decision to award funding for five MSIP projects.
7. The effect of the modifications is to set allowances for the delivery of NGET's Civil Related Works.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule

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

² CMA70 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/655601/energy-licence-modification-appeals-rules.pdf

5.2. The attached Schedule 3 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in section 11A(1)(a) of the Act, we hereby modify the special conditions of the Licence of NGET in the manner specified in attached Schedules 1 and 2. This decision will take effect from 4 December 2023.

This document is notice of the reasons for the decision to modify the Licence held by NGET as required by section 49A(2) of the Act.

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Jourdan Edwards
Interim Deputy Director, Onshore Networks
Duly authorised on behalf of the
Gas and Electricity Markets Authority

9 October 2023

Schedule 1: Modifications to the defined terms “Civil Related Works” and “Use It Or Lose It Adjustment” in 1.1.16 in Special Condition 1.1 of the Licence held by NGET

(New text is double underscored and text removed is struck through. The minor alteration as compared to the notice is shown in yellow highlight, with the item numbering changed from (e) to (f) because that was used by another licence modification as shown in cyan highlight.)

Civil Related Works means interventions on existing substation civil structures which are considered by the licensee and Authority to be in a condition warranting intervention, including repair, refurbishment or replacement of roof, building, asset structures, new roads and replacements, vehicular and pedestrian trench crossings in substations and environmental interventions (related to drainage and oil containment issues on substations).

Use It Or Lose It Adjustment means an adjustment to allowances where they have not been spent, or have not been spent in a way that is efficient to:

- (a) improving cyber resilience in relation to OT, including risk reduction or improved status of the licensee’s network and information systems with respect to CAF Outcomes, in relation to Special Condition 3.2 (Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment),
- (b) developing projects in preparation for Re-openers in relation to Special Condition 3.5 (Net Zero And Re-opener Development Fund use it or lose it allowance);
- (c) the delivery of capex substation auxiliary equipment in relation to Special Condition 3.26 (Substation auxiliary systems use it or lose it allowance); ~~or~~
- (d) the licensee's stated aims of the allowance provided by Special Condition 5.6 (Net zero carbon Capital Construction use it or lose it allowance) as set out in the licensee's Environmental Action Plan;
- (e) delivering the outputs associated with ASTI Pre-Construction Funding in relation to Special Condition 3.40 (Accelerated Strategic Transmission Investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment); or
- (f) the delivery of interventions in relation to Special Condition 3.32 (Civil Related Works Re-opener (CWRT))

which will not exceed the allowance provided.

Schedule 2: Modifications to 3.14.5 and Appendix 1 in in Special Condition 3.14 of the electricity transmission licence held by National Grid Electricity Transmission Plc

(New text is double underscored and text removed is struck through.)

Special Condition 3.32 Civil Related Works Re-opener (CWR_t)

Introduction

- 3.32.1 The purpose of this condition is to calculate the term CWR_t (the Civil Related Works Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.32.2 The effect of this condition is to establish a Re-opener triggered by the licensee where Civil Related Works are required due to changes in asset health and to provide for a Use It Or Lose It Adjustment in respect of interventions under this condition.
- 3.32.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

What is the scope of this Re-opener?

- 3.32.4 The licensee may apply to the Authority for a direction adjusting the value of the CWR_t term for any Regulatory Year during the Price Control Period as a result of the licensee identifying further evidence to support a needs case for Civil Related Works that were included in its Business Plan, but in relation to which no allowance has been provided to date.

When to make an application

- 3.32.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.32.4:
 - (a) Between 19 August 2022 and 26 August 2022; and
 - (b) during such other date as the Authority directs.

How to make an application

- 3.32.6 An application under paragraph 3.32.4 of this condition must be made in writing to the Authority and include:
 - (a) a statement of the adjustment to the CWR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (b) an explanation of the basis of the calculation for the proposed adjustment to the CWR_t term;
 - (c) the specific Civil Related Works that the licensee proposes to deliver;
 - (d) such detailed supporting evidence, as is reasonable in the circumstances, which must include:
 - (e) a needs case for the Civil Related Works informed by network surveys;

- (f) a breakdown of the costs associated with the Civil Related Work for the Authority's review; and
 - (g) the resultant impact on asset health due to the proposed Civil Related Works; and
 - (h) an explanation of whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraph(c) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.
- 3.32.7 An application under paragraph 3.32.4 of this condition must:
- (a) relate to costs incurred or expected to be incurred after 1 April 2021; and
 - (b) must not exceed £58.1m.

What process will the Authority follow in making a direction?

- 3.32.8 Before making a direction under paragraph 3.32.4 or 3.32.11 the Authority will publish on the Authority's Website:
- (a) the text of the proposed direction;
 - (b) the reasons for the proposed direction;
 - (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.
- 3.32.9 The direction will set out any adjustment to the value of the CWRt term and the Regulatory Years to which that adjustment relates.
- 3.32.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Use It Or Lose It Adjustment

- 3.32.11 The Authority may direct a Use it or Lose It Adjustment to the value of CWRt.

Schedule 3: Relevant Licence Holders³

National Grid Electricity Transmission Plc

³ <https://www.ofgem.gov.uk/publications/list-all-electricity-licensees-including-suppliers>