

National Grid Electricity Transmission Plc

Electricity transmission licence

Special Conditions

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Contents

| | |
|---|-------------------------------------|
| Chapter 1: Interpretation and definitions | 7 |
| Special Condition 1.1 Interpretation and definitions | 7 |
| Special Condition 1.2 Variations to the standard conditions for the purposes of this licence | 12 |
| Chapter 2: Revenue restriction | Error! Bookmark not defined. |
| Special Condition 2.1 Revenue restriction | Error! Bookmark not defined. |
| Special Condition 2.2 Tax allowance adjustment (TAXA _t) | Error! Bookmark not defined. |
| Special Condition 2.3 Return Adjustment (RTNA _t) | Error! Bookmark not defined. |
| Chapter 3: Totex Allowance adjustments | 14 |
| Special Condition 3.1 Baseline Network Risk Outputs (NARM _t) | Error! Bookmark not defined. |
| Special Condition 3.2 Cyber resilience operational technology Re-opener, Price Control Deliverable and use it or lose it adjustment (CROT _t and CROTRE _t) | Error! Bookmark not defined. |
| Special Condition 3.3 Cyber resilience information technology Re-opener and Price Control Deliverable (CRIT _t and CRITRE _t) | Error! Bookmark not defined. |
| Special Condition 3.4 Physical security Re-opener and Price Control Deliverable (PSUP _t and PSUPRE _t) | Error! Bookmark not defined. |
| Special Condition 3.5 Net Zero and Re-opener Development Fund use it or lose it allowance (RDF _t) | Error! Bookmark not defined. |
| Special Condition 3.6 Net zero Re-opener and Price Control Deliverable (NZ _t) | Error! Bookmark not defined. |
| Special Condition 3.7 Non-operational IT Capex Re-opener and Price Control Deliverable (NOITRE _t) | Error! Bookmark not defined. |
| Special Condition 3.8 Coordinated adjustment mechanism Re-opener (CAM _t) | Error! Bookmark not defined. |
| Special Condition 3.9 Wider works Price Control Deliverable (WW _t) | Error! Bookmark not defined. |
| Special Condition 3.10 Visual Impact Mitigation Re-opener and Price Control Deliverable and Enhancing Pre-existing Infrastructure Projects allowance (VIMRE _t and EPI _t) | Error! Bookmark not defined. |
| Special Condition 3.11 Generation Connections volume driver (GCE _t) | Error! Bookmark not defined. |
| Special Condition 3.12 Demand Connections volume driver (DRI _t) | Error! Bookmark not defined. |
| Special Condition 3.13 Large onshore transmission investment Re-opener (LOTIA _t and LOTIRE _t) | Error! Bookmark not defined. |
| Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE _t) | 14 |

| | | |
|--|-------------------------------------|----|
| Special Condition 3.15 Pre-Construction Funding Re-opener and Price Control Deliverable (PCF _t and PCFRE _t) | Error! Bookmark not defined. | |
| Special Condition 3.16 Access Reform Change Re-opener (ARR _t) | | 18 |
| Special Condition 3.17 Not used | Error! Bookmark not defined. | |
| Special Condition 3.18 Not used | Error! Bookmark not defined. | |
| Special Condition 3.19 Not used | Error! Bookmark not defined. | |
| Special Condition 3.20 Generation related infrastructure Price Control Deliverable (GRI _t) | Error! Bookmark not defined. | |
| Special Condition 3.21 Operational transport carbon reduction Price Control Deliverable (OTC _t) | Error! Bookmark not defined. | |
| Special Condition 3.22 Instrument Transformer Price Control Deliverable (InT _t) | Error! Bookmark not defined. | |
| Special Condition 3.23 Bay Assets Price Control Deliverable (BA _t) | Error! Bookmark not defined. | |
| Special Condition 3.24 Protection And Control Price Control Deliverable (PC _t) | Error! Bookmark not defined. | |
| Special Condition 3.25 Overhead Line Conductor Price Control Deliverable (OC _t) | Error! Bookmark not defined. | |
| Special Condition 3.26 Substation auxiliary systems use it or lose it allowance (SAS _t) | Error! Bookmark not defined. | |
| Special Condition 3.27 SF6 asset intervention Re-opener and Price Control Deliverable (SF6RE _t and SF6 _t) | Error! Bookmark not defined. | |
| Special Condition 3.28 Not used | Error! Bookmark not defined. | |
| Special Condition 3.29 Not used | Error! Bookmark not defined. | |
| Special Condition 3.30 Wider works volume driver (WWV _t) | Error! Bookmark not defined. | |
| Special Condition 3.31 Fibre Wrap Replacement Re-opener (FWR _t) | Error! Bookmark not defined. | |
| Special Condition 3.32 Civil Related Works Re-opener (CWR _t) | Error! Bookmark not defined. | |
| Special Condition 3.33 Tower Steelworks and Foundations Re-opener (TSF _t) | Error! Bookmark not defined. | |
| Special Condition 3.34 Tyne Crossing Project Re-opener (TCR _t) | | 20 |
| Special Condition 3.35 Bengeworth Road GSP Project Price Control Deliverable (BRG _t) | Error! Bookmark not defined. | |
| Special Condition 3.36 Opex Escalator (OE _t) | Error! Bookmark not defined. | |
| Special Condition 3.37 Entry and exit connection asset allowance (EECA _t) | Error! Bookmark not defined. | |
| Special Condition 3.38 The RIIO-ET1/RIIO-ET2 offset adjustment (T10A _t) | Error! Bookmark not defined. | |
| Special Condition 3.39 Not used | Error! Bookmark not defined. | |

| | |
|--|-------------------------------------|
| Special Condition 3.40 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF _t) | Error! Bookmark not defined. |
| Special Condition 3.41 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR _t) | 21 |
| Chapter 4: Output Delivery Incentives | 29 |
| Special Condition 4.1 Total output delivery incentive performance | Error! Bookmark not defined. |
| Special Condition 4.2 Energy not supplied output delivery incentive (ENSI _t) | Error! Bookmark not defined. |
| Special Condition 4.3 Insulation And Interruption Gas emissions output delivery incentive (IIGI _t) | Error! Bookmark not defined. |
| Special Condition 4.4 Timely connections output delivery incentive (CONADJ _t) | Error! Bookmark not defined. |
| Special Condition 4.5 Quality of connections satisfaction survey output delivery incentive (QCS _t) | Error! Bookmark not defined. |
| Special Condition 4.6 Environmental scorecard output delivery incentive (ESI _t) | Error! Bookmark not defined. |
| Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTO _t) | 29 |
| Special Condition 4.8 Not used | Error! Bookmark not defined. |
| Special Condition 4.9 Accelerated strategic transmission investment output delivery incentive (ASTII _t) | Error! Bookmark not defined. |
| Chapter 5: Other Revenue Allowances | Error! Bookmark not defined. |
| Special Condition 5.1 Total other revenue allowances (ORA _t) | Error! Bookmark not defined. |
| Special Condition 5.2 RIIO-2 network innovation allowance (NIA _t) | Error! Bookmark not defined. |
| Special Condition 5.3 Carry-over Network Innovation Allowance (CNIA _t) | Error! Bookmark not defined. |
| Special Condition 5.4 Non-Technical Mitigation Projects allowance (NTMP _t) | Error! Bookmark not defined. |
| Special Condition 5.5 Not used | Error! Bookmark not defined. |
| Special Condition 5.6 Net zero carbon Capital Construction use it or lose it allowance (NZ3C _t) | Error! Bookmark not defined. |
| Special Condition 5.7 Not used | Error! Bookmark not defined. |
| Chapter 6: Pass-through expenditure | 31 |
| Special Condition 6.1 Pass-through items (PT _t) | 31 |
| Special Condition 6.2 Not used | Error! Bookmark not defined. |
| Chapter 7: Legacy adjustments | 32 |
| Special Condition 7.1 Legacy adjustments to revenue (LAR _t) | Error! Bookmark not defined. |

| | | |
|--|-------------------------------------|-----------|
| Special Condition 7.2 Legacy pass-through items (LPT _t) | Error! Bookmark not defined. | |
| Special Condition 7.3 Legacy MOD (LMOD _t) | Error! Bookmark not defined. | |
| Special Condition 7.4 Legacy K correction (LK _t) | Error! Bookmark not defined. | |
| Special Condition 7.5 Legacy TRU Term (LTRU _t) | Error! Bookmark not defined. | |
| Special Condition 7.6 Close out of the RIIO-ET1 stakeholder satisfaction output (LSSO _t) | Error! Bookmark not defined. | |
| Special Condition 7.7 Close out of the RIIO-ET1 adjustment in respect of the Environmental Discretionary Reward Scheme (LEDR _t) | Error! Bookmark not defined. | |
| Special Condition 7.8 Close out of RIIO-ET1 incentive in respect of sulphur hexafluoride (SF ₆) gas emissions incentive (LSFI _t) | Error! Bookmark not defined. | |
| Special Condition 7.9 Close out of the RIIO-ET1 reliability incentive in respect of energy not supplied (LRI _t) | Error! Bookmark not defined. | |
| Special Condition 7.10 Close out of RIIO-1 Network Outputs (NOCO _t) | Error! Bookmark not defined. | |
| Special Condition 7.11 RIIO-ET1 network innovation competition | | 32 |
| Special Condition 7.12 Legacy net RAV additions (LRAV _t) | Error! Bookmark not defined. | |
| Chapter 8: Governance | Error! Bookmark not defined. | |
| Special Condition 8.1 Governance of the ET2 Price Control Financial Instruments | Error! Bookmark not defined. | |
| Special Condition 8.2 Annual Iteration Process for the ET2 Price Control Financial Model | Error! Bookmark not defined. | |
| Chapter 9: General obligations | | 34 |
| Special Condition 9.1 Annual Environmental Report | Error! Bookmark not defined. | |
| Special Condition 9.2 Network Asset Risk Metric methodology | Error! Bookmark not defined. | |
| Special Condition 9.3 Price Control Deliverable assessment principles and reporting requirements | Error! Bookmark not defined. | |
| Special Condition 9.4 Re-opener Guidance and Application Requirements Document | Error! Bookmark not defined. | |
| Special Condition 9.5 Digitalisation | Error! Bookmark not defined. | |
| Special Condition 9.6 Disapplication of Relevant Special Conditions | Error! Bookmark not defined. | |
| Special Condition 9.7 Directly Remunerated Services | | 34 |
| Special Condition 9.8 Tax Reconciliation assurance statement | Error! Bookmark not defined. | |
| Special Condition 9.9 Activities Restrictions | Error! Bookmark not defined. | |
| Special Condition 9.10 Network Access Policy | | 36 |
| Special Condition 9.11 Provision of information to the System Operator | ISOP | 38 |

| | |
|---|-------------------------------------|
| Special Condition 9.12 Basis of Transmission Owner Charges | Error! Bookmark not defined. |
| Special Condition 9.13 Allowances in respect of a Security Period | Error! Bookmark not defined. |
| Special Condition 9.14 Not used | Error! Bookmark not defined. |
| Special Condition 9.15 Not used | Error! Bookmark not defined. |
| Special Condition 9.16 Not used | Error! Bookmark not defined. |
| Special Condition 9.17 Prohibited activities and conduct of the Transmission Business | 38 |
| Special Condition 9.18 Business separation requirements and compliance obligations | Error! Bookmark not defined. |
| Special Condition 9.19 The strategic innovation fund (SIFt) | 39 |

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Chapter 1: Interpretation and definitions

Special Condition 1.1 Interpretation and definitions

Introduction

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

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

Part A: Interpretation

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

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

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

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

1.1.6 Any reference in these special conditions to:

- (a) a provision thereof;
- (b) a provision of the standard conditions of electricity transmission licences;
- (c) a provision of the standard conditions of electricity supply licences;
- (d) a provision of the standard conditions of electricity distribution licences;
- (e) a provision of the standard conditions of electricity generation licences;
- (f) a provision of the standard conditions of electricity interconnector licences;**
- (g) a provision of the conditions of the Electricity System Operator Licence;**

must, if these or the standard conditions in question come to be modified, be construed, so far as the context permits as a reference to the corresponding provision of these or the standard conditions in question as modified.

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

- 1.1.8 Unless otherwise stated, any reference in these special conditions to the Authority giving a direction, consent, derogation, approval or designation includes:
- (a) giving it to such extent, for such period of time, and subject to such conditions, as the Authority thinks reasonable in all the circumstances of the case; and
 - (b) revoking or amending it after consulting the licensee.
- 1.1.9 Unless otherwise stated, any reference in these special conditions to the Authority making a determination includes making it subject to such conditions as the Authority thinks reasonable in all the circumstances of the case.
- 1.1.10 Any direction, consent, derogation, approval, designation or determination by the Authority will be given or made in writing.
- 1.1.11 Where these special conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, as well as by action taken on or after, 1 April 2021.
- 1.1.12 Any monetary values in these special conditions are in sterling in a 2018/19 price base unless otherwise indicated.
- 1.1.13 The price base for each PCFM Variable Value is denoted in the ET2 Price Control Financial Model "Input" sheet. Where a PCFM Variable Value is listed as a "£m nominal" value, the ET2 Price Control Financial Model will convert these values using in accordance with Part F of Special Condition 2.1 (Revenue restriction), so that the component terms of Calculated Revenue are in a 2018/19 price base.

Part B: Definitions

- 1.1.14 In these special conditions the following defined terms have the meanings given in the table below.
- 1.1.15 Where these special conditions state that the outputs, delivery dates and allowances for a Price Control Deliverable are located in another document, the following defined terms also have the meanings given in the table below in that document.
- 1.1.16 Where the table below states that a defined term has the meaning given to it by:
- (a) another condition of this licence;
 - (b) the ET2 Price Control Financial Instruments;
 - (c) the RIGs;
 - (d) an Associated Document; or
 - (e) the CUSC

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

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| ASTI | means the assets constituting an investment in the Transmission System, where the investment: (a) meets the definition of LOTI; (b) has been identified by <u>the ISOPNGESO</u> as being needed to be operational by 2030 to meet the Government’s ambition to connect 50GW offshore wind generation; and (c) satisfies the Authority that there is clear evidence that the expected consumer benefits of applying the accelerated delivery framework to the project exceeds the expected consumer detriment. |
| <u>Balancing Services Activity</u> | <u>has the meaning given to that term in condition A1 (Definitions) of the Electricity System Operator Licence.</u> |
| CUSC | means the Connection and Use of System Code prepared by <u>the ISOPNGESO</u> pursuant to paragraphs <u>5 and 6-2</u> of Standard Condition <u>E2C10</u> (Connection and Use of System Code (CUSC)) of its <u>Electricity System Operator Transmission Licence</u> , as from time to time modified in accordance with that condition.† |
| Demand Connection Capacity | means the incremental increase in the offtake capacity at grid exit points, in MVA, associated with single or multiple new Demand Connections as specified in a relevant agreement between the licensee and the <u>ISOPSystem Operator</u> pursuant to the STC. |
| <u>Electricity System Operator Licence</u> | <u>has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).</u> |
| Electricity System Restoration Standard | means the target Restoration Time(s) that the Secretary of State directs the <u>ISOPSystem Operator</u> to have the capability to meet. |
| ENS Exceptional Event | for the purposes of Special Condition 4.2 (Energy Not Supplied output delivery incentive) means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes: an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 50 faults being recorded by the licensee on the licensee’s Transmission System in any 24-hour period, <u>ISOPSystem Operator- Requested Load Shedding</u> ; governmental restraint, Act of Parliament, any other legislation, bye law, directive or decision of a court or Competent Authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds will not be interpreted as a cause beyond the reasonable control of the licensee. |

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| Generation Connection Capacity | means the incremental Transmission Entry Capacity, in MW, for generation connected to the National Electricity Transmission System as specified in the relevant agreement between the licensee and the ISOP System Operator pursuant to the STC. |
| Grid Code | means the grid code required to be drawn up <u>prepared by the ISOP</u> NGESO pursuant to Standard Condition E3C14 (Grid Code) of its <u>Electricity System Operator</u> Transmission Licence, as from time to time revised with the approval of the Authority. |
| <u>ISOP</u> | <u>has the meaning given to that term in Standard Condition A1 (Definitions and interpretation).</u> |
| ISOP System Operator Requested Load Shedding | means a request by the ISOP System Operator for the licensee to reduce demand on its Transmission System through the deliberate staged disconnection of customers, where network conditions leading to the request were not attributable to any error, action or inaction on the licensee's part. |
| Licensed Activity | has the meaning given to the term "Transmission Owner <u>Business</u> Activities" in Standard Condition B1 (Regulatory Accounts). |
| NGESO | means National Grid Electricity System Operator Limited. |
| NIC Funding Mechanism | means the mechanism by which the licensee receives the amount of NIC Funding from the ISOP System Operator , less any Funding Return. |
| Outage Changes | means a change to the outage plan notified to the licensee by the ISOP System Operator on or after week 49, as updated from time to time in accordance with the procedures set out in the STC. |
| <u>Relevant Year</u> | <u>means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.</u> |
| Returned Project Revenues | means: (a) revenues received by the licensee from the ISOP System Operator under the NIC Funding Mechanism in respect of an Eligible NIC Project that the Authority determines have not been spent, and where that Eligible NIC Project has been carried out in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction; and (b) revenues earned from Eligible NIC Projects by the licensee other than Returned Royal Income. |
| SIF Disallowed Expenditure | means any revenue received by the licensee from the ISOP <u>NGESO</u> under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction |
| SIF Funding | means the proportion (if any) of the total amount of funding raised by the ISOP <u>NGESO</u> in accordance with the SIF Funding Mechanism that the Authority determines is to be allocated to the licensee in |

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| | respect of its Eligible SIF Projects, as adjusted by the amount of any SIF Funding Return. |
| SIF Funding Mechanism | means the mechanism by which the licensee receives the amount of authorised SIF Funding in any Relevant Year from <u>the ISOPNGESO</u> , less any SIF Funding Return. |
| SIF Funding Return Mechanism | Means the mechanism which provides for payments to be made by the licensee to <u>the ISOPNGESO</u> , as may be relevant in each of the following cases to such extent (if any) as may be relevant, of: <ul style="list-style-type: none"> a) SIF Halted Project Revenues; b) SIF Disallowed Expenditure; c) SIF Returned Royalty Income; and d) SIF Returned Project Revenues. |
| SIF Halted Project Revenues | means any revenues received by the licensee from <u>the ISOPNGESO</u> under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction. |
| SIF Returned Project Revenues | means: <ul style="list-style-type: none"> a) revenues received by the licensee from <u>the ISOPNGESO</u> under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or b) revenues earned from Eligible SIF Projects by the licensee other than Returned Royalty Income, that the Authority determines are payable to customers. |
| STCP11.4 Enhanced Service Provision | means the procedure of that name that is published on the <u>ISOPNGESO's website</u> [https://www.nationalgrideso.com/] |
| System Operator | has the meaning given to that term by Standard Condition A1 (Definitions and interpretation). |
| System Operator Functions | means the activities of NGESO pursuant to the obligations under Section C (System Operator Standard Conditions) of this licence, for which there are no equivalent obligations under Section D (Transmission Owner Standard Conditions) or Section E (Offshore Transmission Owner Standard Conditions), of the standard conditions contained in a Transmission Licence. |
| Transmission Business Activities | has the meaning given to that term in Standard Condition B1 (Regulatory Accounts). |
| Transmission Network Services | has the meaning given to that term in cStandard Condition A1 (Definitions and interpretation) of the Electricity System Operator Licence. |

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| User | means any person (other than the ISOP System Operator or a Transmission Owner) who is authorised to generate, participate in the transmission of, distribute or supply electricity or who is included in a class of person or persons which has been granted an exemption from section 6 of the Act and any person engaged in the sale or purchase of electricity or who otherwise purchases or acquires for purchase electricity. |
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Special Condition 1.2 Variations to the standard conditions for the purposes of this licence

Introduction

1.2.1 The purpose of this licence condition is to vary the standard conditions in their application for the purposes of this licence.

Part A: Modifications

1.2.2 For the purposes of this licence Standard Condition A1 (Definitions and interpretation) should be read as follows:

- (a) by the addition in the definition of “distribution system” immediately after “any electrical plant” insert "remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and";
- (b) ~~not used~~ in the definition of “GB transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
- (c) in the definition “national electricity transmission system” insert at the end, immediately preceding the full stop, “but shall not include any remote transmission assets”;
- (d) after the definition of "relinquishment of operational control" insert:
 ""remote transmission assets" means any electric lines, electrical plant or meters in England and Wales owned by the licensee which:
 are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator.";
- (e) ~~not used~~ at the definition of “transmission business” delete sub-paragraph (i) and all subsequent text up to, but not including, the definition of

~~“transmission constraint costs” and insert in its place the following new sub-paragraphs:~~

- ~~i. “any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement;~~
- ~~i. any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons; or~~
- ~~i. any business of National Grid Electricity System Operator Limited (Company Number 11014226) and its affiliates or related undertakings that is participating in the transmission of electricity pursuant to a transmission licence held by National Grid Electricity System Operator Limited”.~~

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Chapter 3: Totex Allowance adjustments

Special Condition 3.14 Medium Sized Investment Projects Re-opener and Price Control Deliverable (MSIPRE_t)

Introduction

- 3.14.1 The purpose of this condition is to calculate the term MSIPRE_t (the Medium Sized Investment Projects Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.14.2 The effect of this condition is to:
- (a) specify the outputs, delivery dates and associated allowances for the Price Control Deliverable;
 - (b) establish a Re-opener for the licensee to trigger amendments to the Price Control Deliverable during the Price Control Period; and
 - (c) provide for an assessment of the Price Control Deliverable.
- 3.14.3 This condition also explains the process the Authority will follow when making any changes under this condition.

Part A: Formula for calculating the Medium Sized Investment Projects Re-opener term (MSIPRE_t)

- 3.14.4 The value of MSIPRE_t is derived in accordance with the following formula:

$$MSIPRE_t = MSIPO_t - MSIPRO_t$$

where:

MSIPO_t means the sum of allowances in Appendix 1; and

MSIPRO_t has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: What is the licensee funded to deliver?

- 3.14.5 Appendix 1 specifies the outputs that the licensee is funded to deliver, the delivery dates for those outputs and the allowances associated with those outputs.

Part C: Medium Sized Investment Projects Re-opener

- 3.14.6 The licensee may apply to the Authority for a modification to the outputs, delivery dates or associated allowances in Appendix 1 in relation to one or more of the following activities:
- (a) a Generation Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the level that could be provided for under Special Condition 3.11 (Generation Connections volume driver);

- (b) a Demand Connection project, including all infrastructure related to that project, the forecast costs of which are at least £11.84m more or less than the level that could be provided for under Special Condition 3.12 (Demand Connection volume driver);
- (c) a Boundary Reinforcement Project that has received a NOA Proceed Signal in the most recent NOA, and will:
 - i. create a new boundary, or alter an existing boundary; or
 - ii. finish after 1 April 2028 but before 31 March 2031;
- (d) a Flooding Defence Project, the purpose of which is to follow:
 - i. updates to the Energy Networks Association's report titled 'Engineering Technical Report (ETR138)' guidance on flooding; or
 - ii. a request from government, or a body which has responsibility for flood prevention, to protect sites from flooding;
- (e) an Electricity System Restoration Project following the establishment of an Electricity System Restoration Standard;
- (f) a system operability, constraint management or OMW connection project or substation work which is required to accommodate embedded generation, which in each case has been requested in writing by the ~~System Operator~~ **ISOP**;
- (g) projects that are required in order to meet NETS SQSS requirements regarding security, or system operability;
- (h) Harmonic Filtering projects that are needed following:
 - i. requests from the licensee's customers to aggregate and deliver Harmonic Filtering requirements; or
 - ii. system studies by the ~~System Operator~~ **ISOP** or the licensee showing a need for additional Harmonic Filtering on the National Electricity Transmission System;
- (i) protection projects that are needed following:
 - i. system studies by the ~~System Operator~~ **ISOP** or the licensee showing a need for changes to the protection settings or replacement of protection relay with inadequate range;
 - ii. system studies by the ~~System Operator~~ **ISOP** or the licensee showing a need for dynamic line ratings; or
 - iii. system studies by the ~~System Operator~~ **ISOP** or the licensee showing a need for an operational intertrip;
- (j) data transformation and improvement projects, to implement recommendations regarding specific outputs required to meet principles developed by industry data working groups;
- (k) SF6 asset interventions, where the licensee can demonstrate a well-justified SF6 Intervention Plan;

- (l) Electricity System Restoration Projects or a Flooding Defence Project, where the licensee can demonstrate a well-justified needs case;
 - (m) –a project identified by [the ISOP](#) ~~NGESO~~ as required to be delivered by 2030; and
 - (n) –a project required to enable delivery of an ASTI project.
- 3.14.7 The licensee may only apply to the Authority under paragraph 3.14.6 Between:
- (a) 24 April 2021 and 30 April 2021;
 - (b) 25 January 2022 and 31 January 2022
 - (c) 25 January 2023 and 31 January 2023;
 - (d) 25 January 2024 and 31 January 2024;
 - (e) 25 January 2025 and 31 January 2025;
 - (f) or as otherwise directed by the Authority.
- 3.14.8 In relation to an application under paragraph 3.14.6(l) the licensee may apply twice during the Price Control Period.
- 3.14.9 An application under paragraph 3.14.6 must be made in writing to the Authority and include:
- (a) a statement setting out what Medium Sized Investment Project the application relates to;
 - (b) any amendments requested to the outputs, delivery dates or allowances in Appendix 1;
 - (c) such detailed supporting evidence as is reasonable in the circumstances to justify the technical need including cost benefit analysis, impact assessments, risk mitigation, and engineering justification statements; and
 - (d) an explanation of the basis of the calculation for any adjustments requested to allowances.
- 3.14.10 An application under paragraph 3.14.6 must:
- (a) take account of any expenditure, which can be avoided as a result of the change;
 - (b) relate to costs incurred or expected to be incurred that exceed the Materiality Threshold, but are less than £100m; and
 - (c) be confined to costs incurred or expected to be incurred on or after 1 April 2021.
- 3.14.11 Any modifications under this Part will be made under section 11A of the Act.

Part D: Assessment of the Price Control Deliverable (MSIPRO)

- 3.14.12 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and

reporting requirements), consider directing a value for MSIPRO_t where the licensee has not Fully Delivered an output in Appendix 1.

Part E: What process will the Authority follow in making a direction?

3.14.13 Before making a direction under this Part, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.14.14 A direction under paragraph 3.14.13 will set out:

- (a) the delivery status of the output that has not been Fully Delivered;
- (b) the value of the MSIPRO_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the MSIPRO_t term.

Appendix 1

Medium Sized Investment Project Price Control Deliverable (£m)

| MSIP project | Output | Delivery date | 2021 /22 | 2022 /23 | 2023 /24 | 2024 /25 | 2025 /26 | Total |
|---|--|------------------|----------|----------|----------|----------|----------|--------------|
| Sulphur hexafluoride (SF6) Asset Intervention | a) Refurbishment at Barking 400kV Substation | By 31 March 2026 | - | 0.058 | 0.956 | 1.449 | 2.005 | <u>4.468</u> |
| | b) Refurbishment at Seabank 400kV Substation | - | - | 0.391 | 1.904 | 2.03 | 1.777 | <u>6.102</u> |
| | c) Refurbishment at Sellindge 400kV I Substation | - | - | 0.405 | 0.762 | 1.344 | 0.034 | <u>2.545</u> |
| | d) Refurbishment at West Ham 400kV Substation | - | - | 0.286 | 1.06 | 2.755 | 2.966 | <u>7.067</u> |
| | e) Replacement with HV cable at Monk | - | - | 0.034 | 0.093 | 4.662 | 0.018 | <u>4.807</u> |

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| | | | | | | | | |
|--|---|------------------|--------|--------|--------|-------|--------|---------------|
| | Fryston 275kV GIB | | | | | | | |
| | f) Replacement of 427 SF6 filled current transformer listed in the NGET Redacted Information Document | | - | - | 6.467 | 7.831 | 9.544 | <u>23.842</u> |
| Extreme Weather Resilience | Complete flood protections at 33 sites listed in the NGET Redacted Information Document | By 31 March 2026 | 0.0 | 0.5 | 0.8 | 0.9 | 0.8266 | <u>3.0266</u> |
| Cellarhead Customer Connection | Complete Cellarhead Customer Connection | By 31 March 2023 | 0.1858 | 0.2494 | 0.0062 | - | - | <u>0.4414</u> |
| Frodsham Customer Connection | Complete Frodsham Customer Connection | By 31 March 2023 | 0.3385 | 0.1051 | - | - | - | <u>0.4436</u> |
| Lister Drive Customer Connection | Complete Lister Drive Customer Connection | By 31 March 2023 | 0.6056 | 0.0905 | - | - | - | <u>0.6961</u> |
| Melksham Operational Tripping Scheme Phase 2 Project | Complete Melksham Operational Tripping Scheme Phase 2 Project | By 31 March 2025 | 0.1145 | 1.612 | 4.174 | 1.259 | 1.647 | <u>8.8065</u> |

Special Condition 3.16 Access Reform Change Re-opener (ARR_t)

Introduction

3.16.1 The purpose of this condition is to set the value of the term ARR_t (the Access Reform Change Re-opener term). This contributes to the calculation of the Totex Allowance.

3.16.2 The effect of this condition is to establish a Re-opener triggered by the Authority to make appropriate adjustments to reflect the impact of an Access Reform Change on:

(a) the value of ARR_t ;

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(b) the values of the terms in Special Condition 3.11 (Generation Connections volume driver); and

(c) the values of to the terms in Special Condition 3.12 (Demand Connections volume driver).

3.16.3 This condition also explains the process the Authority will follow when making any changes as a result of the Re-opener.

Part A: The value of the Access Reform Change Re-opener term (ARR_t)

3.16.4 The value of ARR_t is set out in Appendix 1.

Part B: Access Reform Change Re-opener

3.16.5 This Re-opener may be used by the Authority at any time during the Price Control Period where:

(a) an Access Reform Change has occurred;

(b) the Authority has evidence that it is likely the Access Reform Change will lead to a reduction in the cost of Licensed Activity; and

(c) the effect, or estimated effect, of the Access Reform Change on the cost of Licensed Activity exceeds the Materiality Threshold.

3.16.6 The following modifications to this licence may be made under this Re-opener:

(a) adjustments to the value of the ARR_t term;

(b) adjustments to the values of the terms in Special Condition 3.11; and

(c) adjustments to the values of the terms in Special Condition 3.12.

3.16.7 The Authority will not make adjustments under this Re-opener in relation to connection projects that are the subject of an agreement with the ~~System Operator~~ ISOP entered into prior to the date of the Authority's modification.

3.16.8 Where the application of paragraph 3.16.7 makes it necessary, the Authority will use this Re-opener to modify the formulae in Special Conditions 3.11 and 3.12 to provide for more than one unit cost in a single Regulatory Year.

3.16.9 Any modifications made under this Re-opener will be made under section 11A of the Act.

Appendix 1

Access Reform Change Re-opener term (ARR_t) (£m)

| | | | | | <u>Value by Regulatory Year (£m)</u> | <u>Total Value (All years)</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|---|---|
| <u>21/22</u> | <u>22/23</u> | <u>23/24</u> | <u>24/25</u> | <u>25/26</u> | | |
| <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |

Special Condition 3.34 Tyne Crossing Project Re-opener (TCR_t)

Introduction

- 3.34.1 The purpose of this condition is to calculate the term TCR_t (the Tyne Crossing Project Re-opener term). This contributes to the calculation of the Totex Allowance.
- 3.34.2 The effect of this condition is to establish a Re-opener triggered by the licensee in relation to the Tyne Crossing Project.
- 3.34.3 This condition also explains the process the Authority will follow when directing any changes as a result of the Re-opener.

Part A: What is the scope of this Re-opener?

- 3.34.4 The licensee may apply to the Authority for a direction adjusting the value of the TCR_t term where there is evidence to support a well-justified needs case for the Tyne Crossing Project.

Part B: When to make an application

- 3.34.5 The licensee may only apply to the Authority for an adjustment under paragraph 3.34.4:
- (a) Between 25 February 2022 and 4 March 2022; or
 - (b) during such other date as the Authority directs.

Part C: How to make an application

- 3.34.6 An application under paragraph 3.34.4 must be made in writing to the Authority and include:
- (a) detailed justification of the expected consumer benefits, including:
 - i. an independent report which supports the socio-economic justification of the Tyne Crossing Project;
 - ii. supporting information from the ~~ISOP System Operator~~ which demonstrates the justification for the proposed option; and
 - iii. justification of the proposed option through clear options assessment through cost benefit analysis;
 - (b) set out the adjustments to the value of the TCR_t term that the licensee is requesting and the Regulatory Years to which that adjustment relates;
 - (c) explain the basis of the calculation of the proposed adjustments to the value of the TCR_t term;
 - (d) set out the specific works that the licensee proposes to deliver as a result of the adjustments to the value of the TCR_t term; and
 - (e) explain whether the licensee considers that the adjustment to allowances sought and the works set out in accordance with sub-paragraphs (b) and

(d) should be made an Evaluative PCD, including what delivery date and PCD output definition the licensee considers should be specified.

3.34.7 An application under paragraph 3.34.4 must relate to costs incurred or expected to be incurred on or after 1 April 2021.

Part D: What process will the Authority follow in making a direction?

3.34.8 Before making a direction under paragraph 3.34.4, the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.34.9 The direction will set out any adjustment to the value of the TCR_t term and the Regulatory Years to which that adjustment relates.

3.34.10 Where an Evaluative PCD is to be set, this will be done under section 11A of the Act.

Special Condition 3.41 Accelerated strategic transmission investment Re-opener and Price Control Deliverable term ($ASTIR_t$)

Introduction

3.41.1 The purpose of this condition is to specify the value of the term $ASTIR_t$ (the accelerated strategic transmission investment Re-opener term). This contributes to the calculation of the Totex Allowance.

3.41.2 The effect of this condition is to:

- (a) specify the ASTI Outputs, delivery dates and allowances for the Price Control Deliverable;
- (b) establish a Re-opener for the licensee to apply for an adjustment to the ASTI Outputs, delivery dates and allowances in Appendix 1 and the Minimum circuit availability standard after delivery in Appendix 2;
- (c) provide for an assessment of the Price Control Deliverable; and
- (d) establish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

3.41.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 as a result of the Re-opener.

Part A: Formula for calculating the accelerated strategic transmission investment Re-opener term ($ASTIR_t$)

3.41.4 The value of $ASTIR_t$ is derived in accordance with the following formula:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

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where:

$ASTIA_t$ means the allowances in Appendix 1; and

$ASTIRA_t$ has the value zero unless otherwise directed by the Authority in accordance with Part G.

Part B: ASTI Outputs

- 3.41.5 The licensee must deliver the ASTI Outputs no later than 12 months after the delivery dates specified in Appendix 1.
- 3.41.6 After the ASTI Output has been delivered it must be operational and available for use by ~~the ISOP~~ ~~NGESO~~ for the period specified in Appendix 2 after application of the exclusions set out in Chapter 4 of the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.

Part C: Early Construction Funding

- 3.41.7 The licensee may, in respect of any ASTI Output, apply for an Early Construction Funding decision to adjust $ASTIA_t$.
- 3.41.8 Unless the Authority directs otherwise, the aggregate allowances provided under paragraph 3.41.7 for any ASTI Output may not exceed 20% of the total forecast project cost listed in the ASTI Confidential Annex.
- 3.41.9 The licensee must notify the Authority in writing of its intention to make an application under 3.41.7 at least 8 weeks before making an application, unless the Authority directs otherwise.
- 3.41.10 A modification under this Part will be made under section 11A of the Act.

Part D: ASTI Project Assessment Decision

- 3.41.11 The licensee may, in respect of any ASTI, apply for an ASTI Project Assessment Decision and an associated modification of Appendices 1 and 2 to:
- (a) specify or amend an ASTI Output, a delivery date and associated allowances; and
 - (b) specify the minimum circuit availability standard after delivery for the relevant ASTI Output.
- 3.41.12 Unless the Authority otherwise directs, the licensee may only apply for an ASTI Project Assessment Decision after submission of all material planning consent applications.

- 3.41.13 A modification under this Part will be made under section 11A of the Act.

Part E: ASTI Cost And Output Adjusting Event

- 3.41.14 The licensee may apply for a modification to the ASTI Outputs and allowances in Appendix 1 where it considers that there has been one or more ASTI Cost And Output Adjusting Event.

3.41.15 The licensee may only apply under this Part to modify allowances in Appendix 1 where:

- (a) expenditure has been caused to increase or decrease by at least the percentage specified in, or in accordance with, paragraph 3.41.17, calculated before the application of the Totex Incentive Strength, relative to the relevant allowance in Appendix 1 by the event or if there has been more than one event:
 - iv. by each event;
 - v. if the Authority has directed that the events in relation to the relevant ASTI Output should count cumulatively towards the percentage threshold; and
- (b) the increase or decrease in expenditure is expected to be efficiently incurred or saved.

3.41.16 The licensee may apply under this Part to modify the ASTI Outputs in Appendix 1 only where there is a material change to the scope of the relevant ASTI project.

3.41.17 The percentage referred to in paragraph 3.41.15(a) is:

- (a) 5%; or
- (b) such other percentage as the Authority may specify by direction.

3.41.18 An application under this Part must be made in writing and must:

- (a) include detailed supporting evidence that an ASTI Cost And Output Adjusting Event meeting the requirements set out in paragraphs 3.41.15, or where applicable 3.41.16, has occurred;
- (b) set out the modifications requested to the ASTI Outputs or associated allowances in Appendix 1;
- (c) explain the basis of the calculation for any proposed modification to the allowances in Appendix 1, which must be designed to keep, so far as is reasonably practicable, the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred; and
- (d) include a statement from a technical adviser, who is external to and independent from the licensee, whether, considered in the context of the value of the ASTI Output, the proposed modification to the ASTI Output or associated allowances fairly reflects the effects of the ASTI Cost And Output Adjusting Event.

3.41.19 The Authority may make a modification under this Part where:

- (a) there has been an application under this Part;
- (b) there has been an ASTI Cost And Output Adjusting Event in relation to the relevant ASTI;

- (c) the requirements of paragraphs 3.41.14 to 3.41.18, where applicable, have been met; and
- (d) the proposed modifications to Appendix 1 have the effect so far as is reasonably practicable of keeping the financial position and performance of the licensee the same as if the ASTI Cost And Output Adjusting Event had not occurred.

3.41.20 A modification under this Part will be made under section 11A of the Act.

Part F: Modification of delivery date in Appendix 1 further to an ASTI ODI Penalty Exemption Period decision or ASTI ODI Target Date decision under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive)

3.41.21 The Authority will modify the delivery dates in Appendix 1 where it decides under Part B of Special Condition 4.9 (Accelerated strategic transmission investment output delivery incentive) to make a modification to the ASTI ODI Penalty Exemption Period or ASTI ODI Target Date in Appendix 1 of Special Condition 4.9.

3.41.22 A modification under this Part will be made under section 11A of the Act.

Part G: Assessment of the Price Control Deliverable (ASTIR_t)

3.41.23 The Authority will, in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), consider directing a value for ASTIR_t where the licensee has not Fully Delivered an output in Appendix 1.

Part H: What process will the Authority follow in making a direction?

3.41.24 Before making a direction under Part G the Authority will publish on the Authority's Website:

- (a) the text of the proposed direction;
- (b) the reasons for the proposed direction; and
- (c) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

3.41.25 A direction in respect of Part G will set out:

- (a) the delivery status of the ASTI Output that has not been Fully Delivered;
- (b) the value of the ASTIR_t term and the Regulatory Years to which that adjustment relates; and
- (c) the methodology and data that has been used to decide the delivery status and value of any adjustments to the ASTIR_t term.

Part I: Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document

- 3.41.26 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document.
- 3.41.27 The Authority will issue and amend the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document by direction.
- 3.41.28 The Authority will publish the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document on the Authority's Website.
- 3.41.29 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will make provision about the detailed requirements for Parts C, D, E and F.
- 3.41.30 The Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document will also make provision about the detailed requirements under Special Condition 3.40 (ASTI Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment) and Special Condition 4.9 (ASTI output delivery incentive).
- 3.41.31 Before directing that the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document comes into effect, the Authority will publish on the Authority's Website:
- (a) the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
 - (b) the date on which the Authority intends the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect; and
 - (c) a period during which representations may be made on the text of the proposed Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.
- 3.41.32 Before directing an amendment to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document;
 - (b) the date on which the Authority intends the amended Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document to come into effect;
 - (c) the reasons for the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document; and

(d) a period during which representations may be made on the amendments to the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document, which will not be less than 28 days.

Appendix 1

ASTI Price Control Deliverable

| ASTI Output | Delivery Date | Allowance (ASTIA _t , £m) | ECF/PA |
|--|------------------|---|--------|
| New 400 kV double circuit in north East Anglia (NOA Code: AENC) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. | |
| New 400 kV double circuit in south East Anglia (NOA Code: ATNC) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. | |
| New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO) | 31 December 2029 | Have the values given in the ASTI Confidential Annex. | |
| New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. | |
| Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC) | 31 December 2028 | Have the values given in the ASTI Confidential Annex. | |
| Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3) | 31 December 2030 | Have the values given in the ASTI Confidential Annex. | |
| Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. | |
| 400 kV upgrade of Brinsworth to Chesterfield double circuit and Chesterfield to High Marnham double circuit. New High Marnham and Chesterfield 400 kV substations (NOA Code: EDEU) | 31 December 2029 | Have the values given in the ASTI Confidential Annex. | |
| New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA Code: EDN2) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. | |
| New 400 kV double circuit between the south Humber and south Lincolnshire (NOA Code: GWNC) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. | |
| Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP) | 31 December 2028 | Have the values given in the ASTI Confidential Annex. | |

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| | | |
|---|------------------|---|
| New 400 kV double circuit between the existing Norton to Osbaldwick circuit and Poppleton and relevant 275 kV upgrades (NOA Code: OPN2) | 31 December 2028 | Have the values given in the ASTI Confidential Annex. |
| Pentir to Trawsfynydd cable replacement (NOA Code: PTC1) | 31 December 2029 | Have the values given in the ASTI Confidential Annex. |
| North Wales reinforcement (NOA Code: PTNO) | 31 December 2030 | Have the values given in the ASTI Confidential Annex. |
| New Offshore HVDC link between Suffolk and Kent option 1 (NOA Code: SCD1) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. |
| Eastern subsea HVDC Link from east Scotland to south Humber area (NOA Code: TGDC) | 31 December 2031 | Have the values given in the ASTI Confidential Annex. |
| Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code: TKRE) | 31 December 2029 | Have the values given in the ASTI Confidential Annex. |

Appendix 2

ASTI Output availability standard

| ASTI Output | Minimum circuit availability standard after delivery (%) | | |
|---|--|-------------|--------------|
| | 0-6 months | 6-12 months | 12-24 months |
| New 400 kV double circuit in north East Anglia (NOA Code: AENC) | | | |
| New 400 kV double circuit in south East Anglia (NOA Code: ATNC) | | | |
| New 400 kV double circuit between Bramford and Twinstead (NOA Code: BTNO) | | | |
| New 400 kV double circuit between Creyke Beck and the south Humber (NOA Code: CGNC) | | | |
| Eastern subsea HVDC link from Torness to Hawthorn Pit (NOA Code: E2DC) | | | |
| Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3) | | | |

Eastern Scotland to England 3rd link: Peterhead to the south
Humber offshore HVDC (NOA Code: E4L5)

400 kV upgrade of Brinsworth to Chesterfield double circuit and
Chesterfield to High Marnham double circuit. New High
Marnham and Chesterfield 400 kV substations (NOA Code: EDEU)

New Chesterfield to Ratcliffe-on-Soar 400 kV double circuit (NOA
Code: EDN2)

New 400 kV double circuit between the south Humber and south
Lincolnshire (NOA Code: GWNC)

Upgrade Hackney, Tottenham and Waltham Cross 275 kV to 400 kV
(NOA Code: HWUP)

New 400 kV double circuit between the existing Norton to
Osbalwick circuit and Poppleton and relevant 275 kV upgrades
(NOA Code: OPN2)

Pentir to Trawsfynydd cable replacement (NOA Code: PTC1)

North Wales reinforcement (NOA Code: PTNO)

New Offshore HVDC link between Suffolk and Kent option 1 (NOA
Code: SCD1)

Eastern subsea HVDC Link from east Scotland to south Humber
area (NOA Code: TGDC)

Tilbury to Grain and Tilbury to Kingsnorth upgrade (NOA Code:
TKRE)

Chapter 4: Output Delivery Incentives

Special Condition 4.7 SO-TO optimisation output delivery incentive (SOTO_t)

Introduction

- 4.7.1 The purpose of this condition is to calculate the term SOTO_t (the SO-TO optimisation output delivery incentive term). This contributes to the calculation of the term ODI_t (the output delivery incentives term), which in turn feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 4.7.2 The effect of this incentive is to reward the licensee where it has delivered SO-TO Optimisation Solutions under the STCP11.4 Enhanced Service Provision.

Part A: Formula for calculating the SO-TO optimisation output delivery incentive term (SOTO_t)

- 4.7.3 For Regulatory Years commencing on 1 April 2021 and 1 April 2022, the value of the term SOTO_t is derived in accordance with the following formula:

$$SOTO_t = \min(SOTOSF_t, SOTOS_t, SOTOCAP_t)$$

where:

SOTOSF_t means the SO-TO optimisation sharing factor which has the value of 0.1;

SOTOS_t means the total constraint savings forecasted by [the ISOPNGESO](#) for the solutions delivered by the licensee in accordance with the SO-TO Optimisation Governance Document; and

SOTOCAP_t means the cap of rewards for the SO-TO optimisation output delivery incentive and has the value of £5m.

- 4.7.4 For Regulatory Years commencing on or after 1 April 2023, the value of the SOTO_t term will be zero, unless the Authority directs that the value is to continue being derived in accordance with the formula in paragraph 4.7.3.

Part B: SO-TO Optimisation Governance Document

- 4.7.5 The licensee must comply with the SO-TO Optimisation Governance Document.
- 4.7.6 The Authority will issue and amend the SO-TO Optimisation Governance Document by direction.
- 4.7.7 The Authority will publish the SO-TO Optimisation Governance Document on the Authority's Website.
- 4.7.8 The SO-TO Optimisation Governance Document will make provision about the governance and administration of the SO-TO Optimisation output delivery incentive, including:

- (a) the definition of 'SOTO Optimisation Solutions'; and
 - (b) the reporting obligations in respect of the SO-TO optimisation output delivery incentive.
- 4.7.9 Before issuing the SO-TO Optimisation Governance Document the Authority will publish on the Authority's Website:
- (a) the text of the proposed SO-TO Optimisation Governance Document;
 - (b) the date on which the Authority intends the SO-TO Optimisation Governance Document to come into effect;
 - (c) a period during which representations may be made on the content of the SO-TO Optimisation Governance Document, which will not be less than 28 days.
- 4.7.10 Before amending the SO-TO Optimisation Governance Document, the Authority will publish on the Authority's Website:
- (a) the text of the amended SO-TO Optimisation Governance Document;
 - (b) the date on which the Authority intends the amended SO-TO Optimisation Governance Document to come into effect;
 - (c) the reasons for the amendments to the SO-TO Optimisation Governance Document; and
 - (d) a period during which representations may be made on the amendments to the SO-TO Optimisation Governance Document, which will not be less than 28 days.

Part C: SO-TO Optimisation Report

- 4.7.11 The licensee must prepare a SO-TO Optimisation Report in accordance with the SO-TO Optimisation Governance Document.

Chapter 6: Pass-through expenditure

Special Condition 6.1 Pass-through items (PT_t)

Introduction

- 6.1.1 The purpose of this condition is to calculate the term PT_t (the allowed pass-through term). This feeds into Calculated Revenue in Special Condition 2.1 (Revenue restriction).
- 6.1.2 The effect of this condition is to ensure that the licensee's Allowed Revenue reflects that certain costs can be passed through to Users.

Part A: Formula for calculating the allowed pass-through term (PT_t)

- 6.1.3 The value of the PT_t term is derived in accordance with the following formula:

$$PT_t = RB_t + EDE_t + TPD_t$$

where:

- RB_t* means the amount levied on the licensee in respect of the Prescribed Rates or an amount directed under Part B;
- EDE_t* means the payments in relation to the Pension Scheme Established Deficit repair expenditure for each Regulatory Year, as further explained and elaborated upon in the ET2 Price Control Financial Handbook; and
- TPD_t* means the temporary physical disconnection costs incurred by the licensee in relation to interruption payments made by the ~~ISOP System Operator~~ as part of its ~~B~~balancing ~~S~~services ~~A~~activity in the licensee's Transmission Area that are charged to the licensee in accordance with the provisions of the STC.

Part B: Review of Prescribed Rates pass-through term (RB_t)

- 6.1.4 As part of any periodic revaluation, the licensee must:
- (a) engage with the Relevant Valuation Agency; and
 - (b) use its reasonable endeavours to minimise the amount of the Prescribed Rates to which it is liable.
- 6.1.5 If, after reviewing the licensee's engagement with the Relevant Valuation Agency and any further information required from the licensee with respect to a particular revaluation, the Authority considers that the licensee has not complied with paragraph 6.1.4, the Authority will adjust the value of RB_t by direction.

Chapter 7: Legacy adjustments

Special Condition 7.11 RIIO-ET1 network innovation competition

Introduction

- 7.11.1 The NIC ran during the RIIO-ET1 price control period to fund innovative low carbon or environmental projects. Although it will no longer run for the licensee from 1 April 2021, this condition makes provision for arrangements relating to the regulation, administration and governance of NIC Funding.
- 7.11.2 Parts A and D are supplemented by the relevant provisions of the NIC Governance Document.

Part A: The Funding Return Mechanism

- 7.11.3 The Authority may direct how Returned Project Revenues should be paid to customers through the Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 7.11.4 In each Regulatory Year, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, specify:
- (a) the amount of any Funding Return that the licensee must pay to the **ISOP** System Operator; and
 - (b) the manner in which and the timescale over which the licensee must pay that amount.

Part B: The NIC Governance Document

- 7.11.5 The licensee must comply with the NIC Governance Document.
- 7.11.6 The Authority will amend the NIC Governance Document by direction.
- 7.11.7 The Authority will publish the NIC Governance Document on the Authority's Website.
- 7.11.8 The NIC Governance Document makes and will continue to make provision about:
- (a) the process and procedures that will be in place for the assessment, approval and financing of project funding (where necessary);
 - (b) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other Transmission Licensees and holders of Distribution Licences;
 - (c) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such

projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);

- (d) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
- (e) any other matters relating to the governance of the NIC.

Part C: Procedure for amending the NIC Governance Document

7.11.9 Before amending the NIC Governance Document by direction, the Authority will publish on the Authority's Website:

- (a) the text of the amended NIC Governance Document;
- (b) the date on which the Authority intends the amended NIC Governance Document to come into effect;
- (c) the reasons for the amendments to the NIC Governance Document; and
- (d) a period during which representations may be made on the amendments to the NIC Governance Document, which will not be less than 28 days.

Part D: Successful Delivery Reward

7.11.10 The Authority may direct that the ~~ISOP System Operator~~ pay the licensee a Successful Delivery Reward, in accordance with the provisions of the NIC Governance Document.

Chapter 9: General obligations

Special Condition 9.7 Directly Remunerated Services

Introduction

- 9.7.1 The purpose of this condition is to set out the basis on which services provided by the licensee will be treated as Directly Remunerated Services under the special conditions.
- 9.7.2 The effect of this condition is that revenue derived by the licensee from the provision of Directly Remunerated Services is excluded from the calculation of Allowed Revenue.
- 9.7.3 This condition also explains the process that the Authority will follow when directing that services provided by the licensee should be treated, or should not be treated, as Directly Remunerated Services.

Part A: Licensee's obligation to exclude Directly Remunerated Services

- 9.7.4 The licensee must exclude revenue derived from Directly Remunerated Services from Allowed Revenue.
- 9.7.5 Directly Remunerated Services are:
- (a) services that comply with the general principle set out in Part B; or
 - (b) the services listed in Part C to the extent that they comply with the general principle in Part B; or
 - (c) services that the Authority directs are to be treated as Directly Remunerated Services to the extent that such direction will comply with the general principle in Part B.
- 9.7.6 Services are not to be treated as Directly Remunerated Services if the Authority so directs to the extent that such direction will comply with the general principle in Part B.

Part B: Statement of general principle

- 9.7.7 The general principle is that a service provided by the licensee as part of its Licensed Activity is to be treated as a Directly Remunerated Service if and to the extent that the service is not already remunerated under any of the charges listed in paragraph 9.7.8.
- 9.7.8 The charges referred to in paragraph 9.7.7 are:
- (a) Network Charges, under the provisions of Special Condition 2.1 (Revenue restriction); and
 - (b) charges arising from any activity carried out under the provisions of Special Condition 7.11 (RIIO-ET1 network innovation competition) which results in Returned Royalty Income for the licensee.

Part C: Categories of Directly Remunerated Services

- 9.7.9 The descriptions of categories of Directly Remunerated Services set out at paragraph 9.7.10 are to be read and given effect subject to any further explanation or elaboration of any of those descriptions that might be set out in the RIGs.
- 9.7.10 Directly Remunerated Services will include the following services:
- (a) DRS1. Connection services: This category consists of the carrying out of works (including any necessary reinforcement works or diversionary works) to install, operate, repair, or maintain electric lines, electrical plant, or meters necessary to provide any new connection or modify any existing connection to the licensee's Transmission System, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 9.7.8).
 - (b) DRS2. Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.
 - (c) DRS3. Works required by any alteration of premises: This category consists of the moving of any electric line or electrical plant that forms part of the licensee's Transmission System to accommodate the extension, redesign, or redevelopment of any premises on which the asset in question is located or to which it is connected.
 - (d) DRS4. Telecommunications and information technology infrastructure services: This category consists of allowing the use of any electric line or electrical plant that forms part of the licensee's Transmission System to carry, either directly or indirectly (including by the incorporation of third party equipment), electronic information and data.
 - (e) DRS5. Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change as reimbursed by the ~~ISOP System Operator~~.
 - (f) DRS6. Emergency Services: (Not applicable to Electricity Transmission)
 - (g) DRS7. PARCA Activities: (Not applicable to Electricity Transmission)
 - (h) DRS8. Independent System Operation: (Not applicable to Electricity Transmission)
 - (i) DRS9. Network Innovation Funding: Payments made by the ~~ISOP System Operator~~ to the licensee in respect of NIC funding in accordance with Special Condition 7.11 (RIIO-ET1 network innovation competition).
 - (j) DRS10. Value Added Services: (Not applicable to Electricity Transmission)
 - (k) DRS11. Top-up, standby, and enhanced system security: (Not applicable to Electricity Transmission)

- (l) DRS12. Revenue protection services: (Not applicable to Electricity Transmission)
- (m) DRS13. Metering Services: (Not applicable to Electricity Transmission)
- (n) DRS14. Smart Meter Roll-out rechargeable services: (Not applicable to Electricity Transmission)
- (o) DRS15. Miscellaneous: This category consists of the provision of any other service (including the provision of electric lines or electrical plant) that:
 - (p) is for the specific benefit of any third party who requests it; and
 - (q) is not made available by the licensee as a normal part of the activities of its Transmission ~~Owner~~ Business Activities.

Part D: Procedure for issuing directions

- 9.7.11 Before issuing a direction under Part A the Authority will consider the general principle in Part B.
- 9.7.12 Any direction that the Authority issues under Part A will set out the date on which the licensee must start or cease treating services as Directly Remunerated Services.

Special Condition 9.10 Network Access Policy

Introduction

- 9.10.1 This condition requires the licensee to publish and act consistently with the Network Access Policy designed to facilitate efficient performance and effective liaison between the ~~ISOP~~ System Operator and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers and network Users.

Part A: Network Access Policy

- 9.10.2 The licensee, together with the other Transmission Owners, must have in place a Network Access Policy approved by the Authority.
- 9.10.3 The licensee must incorporate the Network Access Policy into its planning and operations as part of its Licensed Activity.
- 9.10.4 The licensee must act consistently with the Network Access Policy, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it.
- 9.10.5 The Network Access Policy must include:
 - (a) details of the actions that the licensee will take to coordinate with the ~~ISOP~~ System Operator and, if appropriate, the other Transmission Owners to ensure that planned network outage arrangements are agreed with due consideration of the long-term outcomes for consumers and network Users;

- (b) details of the actions that the licensee will take for the purposes of responding to and managing unplanned network outages with a view to minimising its contribution to network constraints, subject to the need to ensure the safe and secure operation of the National Electricity Transmission System as a whole or any part of it;
- (c) details of the types of circumstances that are likely to require an alternative approach to that set out in relation to paragraphs 9.10.5(a) and (b); and
- (d) a description of the licensee's communication and coordination strategy for interacting with the ~~ISOP System Operator~~, other Transmission Owners, and Users.

Part B: Revisions to the Network Access Policy

- 9.10.6 The licensee, together with the other Transmission Owners, must from time to time and at least once in every period of two Regulatory Years, review the Network Access Policy and propose such revisions as may be necessary in order to ensure that the information contained in the policy continues to be accurate and consistent with this condition.
- 9.10.7 Before revising the Network Access Policy the licensee, together with the other Transmission Owners, must submit to the Authority, the ~~System Operator~~ **ISOP** and, if appropriate, to any other relevant Transmission Licensees:
- (a) a copy of the proposed revisions;
 - (b) an explanation of the reasons for the proposed revisions; and
 - (c) such detailed supporting evidence as the licensee considers will assist the Authority in its consideration of the proposed revisions.
- 9.10.8 The Authority will:
- (a) approve the proposed revisions;
 - (b) reject the proposed revisions; or
 - (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.
- 9.10.9 Before taking any action under paragraph 9.10.8, the Authority will consult the Transmission Owners, the ~~System Operator~~ **ISOP** and such other interested parties as it considers appropriate.

Part C: Availability of the Network Access Policy

- 9.10.10 The licensee must ensure that the Network Access Policy is readily accessible to the public from the licensee's website.
- 9.10.11 If the Authority approves a revision to the Network Access Policy, the licensee must ensure that the Network Access Policy made available under paragraph 9.10.10 is updated during the period of ten Working Days beginning with the date of the approval.

Special Condition 9.11 Provision of information to the System Operator ISOP

Introduction

9.11.1 The purpose of this condition is to require the licensee to notify the ISOP ~~System Operator~~ of the revenue to be collected via Network Charges.

Part A: Statement of the $TNGET_t$ value

9.11.2 On or before the 5th business day in October and 7 January of the Regulatory Year $t-1$, the licensee must notify the ~~System Operator~~ ISOP of its best estimate for the $TNGET_t$ term.

9.11.3 $TNGET_t$ means an amount no more than AR_t as calculated in accordance with Special Condition 2.1 (Revenue restriction).

9.11.4 The licensee must keep under review the estimates notified to the ~~System Operator~~ ISOP pursuant to paragraph 9.11.2 and, if at any time, the licensee reasonably considers that the value of $TNGET_t$, notified to the ~~System Operator~~ ISOP will be significantly different to the estimates previously notified to the ~~System Operator~~ ISOP, the licensee must notify the ~~System Operator~~ ISOP of the updated value for $TNGET_t$ as soon as reasonably practicable.

9.11.5 By 30 April of each Regulatory Year t , the licensee must provide the Authority with a statement showing the following:

- (a) the value of $TNGET_t$ notified to the ~~System Operator~~ ISOP in the Regulatory Year $t-1$;
- (b) the aggregate amount of the licensee's connection charges in Regulatory Year $t-1$ which are not remunerated under Special Condition 2.1 (Revenue restriction); and
- (c) the aggregate amount of the licensee's charges in Regulatory Year $t-1$ in respect of Outage Changes.

Special Condition 9.17 Prohibited activities and conduct of the Transmission Business

Introduction

9.17.1 The purpose of this condition is to set out the prohibited activities of the licensee and conduct of the Transmission Business.

Part A: Prohibited Activities

9.17.2 Unless the Authority otherwise directs, the licensee, and any subsidiary of the licensee, must not hold, or seek to hold, a Transmission Licence that has ~~Section C (System Operator Standard Conditions)~~ or Section E (Offshore Transmission Owner Standard Conditions) in effect.

Part B: Conduct of the Transmission Business

9.17.3 The licensee, and the relevant parties listed in paragraph 9.17.5, must not obtain an Unfair Commercial Advantage.

9.17.4 ~~[Not used] The licensee must not disclose or otherwise make use of any System Operator Functions information that it may have received from NGENSO, by virtue of NGENSO disclosing such information to the licensee arising from a failure to abide by the provisions of Special Condition 2.6 (Prohibited activities and conduct of the Transmission Business) of NGENSO's Transmission Licence.~~

9.17.5 The relevant parties are:

- (a) any Affiliate or Related Undertaking of the licensee that is a subsidiary of, or is controlled by an ultimate controller of, the licensee, including those:
 - i. intending to participate in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted; or
 - ii. participating in a competitive tender exercise to determine a person to whom an Offshore Transmission Licence is to be granted;
- (b) any User of the National Electricity Transmission System; and
- (c) any other Transmission Licensee.

Special Condition 9.19 The strategic innovation fund (SIFt)

Introduction

9.19.1 The purpose of this condition is to establish arrangements for the SIF and to provide for the calculation of the term SIF_t.

9.19.2 The effect of this condition is to provide funding for Eligible SIF Projects by means of payments received from ~~the ISOP~~ NGENSO (as adjusted, where appropriate, by the SIF Funding Return Mechanism) in accordance with the determination process in Part A.

9.19.3 This condition also makes provision for arrangements relating to the regulation, administration, and governance of the SIF.

Part A: Determination of the value of the SIFt term

9.19.4 The SIFt term is the net amount of SIF Funding less any SIF Funding Return for the Regulatory Year that is to be paid to the licensee by ~~the ISOP~~ NGENSO, or vice versa, in accordance with the direction issued for that purpose by the Authority pursuant to the provisions of Part A of Special Condition 3.4 (The strategic innovation fund) in the ~~Transmission Licence~~ Electricity System Operator Licence held by ~~the ISOP~~ NGENSO.

9.19.5 In each Regulatory Year, in accordance with the SIF Governance Document and the appropriate provisions of ~~the ISOP~~ NGENSO's Electricity System Operator Transmission Licence the Authority will calculate and then, by direction given to the licensee specify:

- (a) the value of the SIF term;
- (b) how the amount of that term has been calculated, taking account of any SIF Funding Return; and
- (c) the manner in which and the timescale over which the ISOPNGESO is required to transfer that amount to the licensee or vice versa.

Part B: The SIF Funding Return Mechanism

- 9.19.6 The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.
- 9.19.7 In each Regulatory Year, in accordance with the appropriate provisions of the SIF Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:
- (a) the amount of any SIF Funding Return that the licensee must pay to the ISOPNGESO; and
 - (b) the manner in which and the timescale over which that amount is to be paid.
- 9.19.8 The licensee must comply with any direction that is issued by the Authority under paragraph 9.19.7.

Part C: The SIF Governance Document

- 9.19.9 The licensee must comply with the SIF Governance Document.
- 9.19.10 The Authority will issue and amend the SIF Governance Document by direction.
- 9.19.11 The Authority will publish the SIF Governance Document on the Authority's Website.
- 9.19.12 The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:
- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;
 - (b) the evaluation criteria against which the funding of such proposed SIF projects will be assessed and approved;
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;
 - (d) arrangements to ensure that relevant matters the licensee learned from the implementation of Eligible SIF Projects can be captured and disseminated by the licensee to other Transmission Licensees;

- (e) the nature of the reporting obligations in respect of such Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and
- (f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

Part D: Procedure for issuing and revising the SIF Governance Document

9.19.13 Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

- (a) the text of the proposed SIF Governance Document;
- (b) the date that the Authority intends the SIF Governance Document to come into effect; and
- (c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.

9.19.14 Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

- (a) the text of the amended SIF Governance Document;
- (b) the date on which the Authority intends the amended SIF Governance Document to come into effect;
- (c) the reasons for the amendment to the SIF Governance Document; and
- (d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

9.19.15 Where this special condition provides for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before or after this licence condition comes into effect.