

To: SP Transmission plc

**Electricity Act 1989
Section 11A(2)**

Notice of statutory consultation on a proposal to modify the special conditions of the electricity licence held by SP Transmission plc

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the special conditions ('SpC') of the electricity licence (the 'Licence') held by SP Transmission plc ('SPT') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 by amending Appendix 1 of SpC 3.14 (Medium Sized Investment Projects ('MSIP') Re-opener and Price Control Deliverable ('MSIPRET')) of the Licence.
2. We are proposing these modifications to the Licence because adding the Price Control Deliverables ('PCDs') into Appendix 1 of SpC 3.14 of the Licence gives effect to the decision of the Authority dated 28 February 2024 to approve funding for SPT's three MSIP projects.
3. The effect of the proposed modifications is to set PCDs related to SPT's three MSIP projects and the allowances for their delivery. If SPT does not deliver the PCDs during the RIIO-ET2 price control, then the price control framework provides for the relevant PCD allowances to be clawed back.
4. The full text of the proposed modifications to SpC 3.14 is set out in Annex 1 to this notice, with the text to be deleted marked with strikethrough and new text to be inserted shown double underscored. A copy of the proposed modifications and other documents referred to in this notice have been published on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.
5. Any representations with respect to the proposed licence modifications must be made on or before 2 April 2024 to: Sai Wing Lo, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to Sai.Lo@ofgem.gov.uk.
6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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Nathan Macwhinnie
Duly authorised on behalf of the
Gas and Electricity Markets Authority

28 February 2024

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

SP Transmission

Electricity transmission licence

Special Conditions

We have set out the proposed changes to Appendix 1 in SpC 3.14. Text proposed to be added is double underscored and text removed is double struck through.

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 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 £4.24m 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 £4.24m 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;
- (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 or constraint management project that has been requested by the System Operator;
- (g) projects that are needed 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 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 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 or the licensee showing a need for dynamic line ratings; or
 - iii. system studies by the System Operator 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; and
 - (k) SF6 asset interventions, where the licensee can demonstrate a well-justified SF6 Intervention Plan;
 - (l) a project identified by NGESO as required to be delivered by 2030; and
 - (m) 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:
- (n) 24 April 2021 and 30 April 2021;
 - (o) 25 January 2022 and 31 January 2022
 - (p) 25 January 2023 and 31 January 2023;
 - (q) 25 January 2024 and 31 January 2024; and
 - (r) 25 January 2025 and 31 January 2025;
 - (s) or otherwise directed by the Authority.
- 3.14.8 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.
- 3.14.9 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.

3.14.10 Any modifications under this Part will be made under section 11A of the Act.

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

3.14.11 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?

3.14.12 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.

3.14.13 A direction under this Part 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 the adjustments relate; 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	Regulatory Year					Total
			2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>Coalburn SGT4</u>	<u>Installation of Coalburn SGT4 (360MVA) and associated works at Coalburn 400/132kV Substation</u>	<u>31 Dec 2024</u>	<u>2.124</u>	<u>4.314</u>	<u>5.147</u>	<u>2.090</u>	<u>0</u>	<u>13.675</u>
<u>Constraint Management Pathfinder – Line End Open (LEO) Modifications and Operational Tripping Scheme (OTS) Modifications</u>	<u>Completion of the extension of the LEO and OTS systems.</u>	<u>31 Dec 2023</u>	<u>0</u>	<u>0.298</u>	<u>1.003</u>	<u>0</u>	<u>0</u>	<u>1.301</u>

MSIP project	Output	Delivery date	Regulatory Year					Total
			2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	
<u>Wishaw-Eccles-Torness- Smeaton Operational Intertrip Scheme (WETSS Scheme)</u>	<u>Completion of the WETSS Scheme, including the associated LEO Scheme extension.</u>	<u>31 Dec 2023</u>	<u>0.412</u>	<u>0.087</u>	<u>0.184</u>	<u>0</u>	<u>0</u>	<u>0.683</u>