

To: Scottish Hydro Electric Transmission Plc

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

Notice of statutory consultation on a proposal to modify the Special Conditions of the electricity transmission licence held by Scottish Hydro Electric Transmission Plc

1. The Gas and Electricity Markets Authority ('the Authority' – the terms 'the Authority', 'we', 'our' and 'us' are used interchangeably in this document) proposes to modify the Special Conditions (SpC) of the electricity transmission licence held by Scottish Hydro Electric Transmission Plc (SHET) granted or treated as granted under 6(1)(b) of the Electricity Act 1989 by amending an allowance value (ASTIA_t) referenced in Appendix 1 (ASTI Price Control Deliverable) of SpC 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)).
2. In line with SpC 3.41.10 and the Accelerated Strategic Investment Guidance and Submission Requirements Document, we are proposing this modification because we are satisfied that SHET's Early Construction Funding (ECF) application:
 - a. strikes the appropriate balance between assisting acceleration and protecting consumers from potentially excessive cost exposure in the unlikely event that the projects do not progress;
 - b. was pre-empted by a notice in writing of SHET's intention to make the application under section 3.41.7 at least 8 weeks before SHET made the application; and
 - c. there is a clear justification for why it is in consumers' interests to provide funding for the proposed activities to take place ahead of our cost assessment as part of the PA process as the early construction activities will aid in accelerating project delivery.
3. The effect of the proposed modification is to adjust the allowances contained in the ASTI Confidential Annex as referenced in Appendix 1 (ASTIA_t) of Special Condition 3.41 'Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIA_t)' in SHET's electricity transmission licence to allow SHET's ECF expenditure application. The proposed modification will be reflected in what will become the latest version of the ASTI Confidential Annex.
4. With the exception of the ASTI Confidential Annex, a copy of the proposed modification 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. The full text of the proposed modification to Appendix 1 of SpC 3.41 is set out below in Appendix 1 with the text to be deleted marked with strikethrough and new text to be inserted shown double underscored. For reasons of commercial sensitivity, details of the amended allowance are confidential but will be issued to SHET in the updated ASTI Confidential Annex.
6. Any representations with respect to the proposed licence modification must be made on or before 10 January 2025 to: James Santos-Mansur, Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to

RIIOElectricityTransmission@ofgem.gov.uk and marked for the attention of James Santos-Mansur.

7. 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.
8. If we decide to make the proposed modification, it will take effect not less than 56 days after the decision to modify the licence is published.

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

28 November 2024

Appendix 1 – Proposed modifications SpC 3.41

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:

$$ASTIR_t = ASTIA_t - ASTIRA_t$$

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 NGENSO 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:
 - i. by each event;
 - ii. 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 (ASTIRA_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 (ASTI _t , £m)	ECF/PA
Beaulieu to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
Upgrade the Beaulieu to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
Beaulieu to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
Eastern Scotland to England link: Peterhead to Drax offshore HVDC (NOA Code: E4D3)	31 December 2030	<u>Updated with the values given in the ASTI Confidential Annex</u>	

Eastern Scotland to England 3rd link: Peterhead to the south Humber offshore HVDC (NOA Code: E4L5)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF
Arnish to Beaulieu 1.8GW HVDC link (Western Isles)	31 December 2031	<u>Updated with the values given in the ASTI Confidential Annex</u>	ECF

Appendix 2
ASTI Output availability standard

ASTI Output	Minimum circuit availability standard after delivery (%)		
	0-6 months	6-12 months	12-24 months
Beaulieu to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)			
Upgrade the Beaulieu to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)			
Beaulieu to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)			
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)			
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)			
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)			
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)			
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)			
Arnish to Beaulieu 1.8GW HVDC link (Western Isles)			

Appendix 2 - Relevant licence holders

Electricity Transmission
Scottish Hydro Electric Transmission plc