

To: Scottish Hydro Electric Transmission Plc

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

Modification of the Special Conditions of the electricity transmission licence held by the above licensee

1. Scottish Hydro Electric Transmission Plc is the holder of an Electricity Transmission licence (“the Licence”) granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”).
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority (“the Authority”)¹ gave notice on 28 November 2024 (“the Notice”)² that we proposed to modify special condition 3.41 (Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)) of the Licence. We stated that any representations to the modification proposal must be made on or before the 11 January 2025.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response to the Notice. We carefully considered this and will publish the non-confidential response alongside this modification. A summary of the stakeholder’s response and our view on it is set out in Chapter 2 of the decision document which is published alongside this modification.
5. Taking into account the response received by the Authority to the consultation, the Authority has determined to put into effect the modifications proposed in the Notice.
6. In line with Special Condition (SpC) 3.41.10 and the Accelerated Strategic Investment Guidance and Submission Requirements Document,³ the reasons we are making the modifications are because we are satisfied that SHET’s Early Construction Funding (ECF) request:
 - a. has not exceeded the stated threshold of 20% of total forecasted project cost as set by SpC 3.41.8 for six of the eight projects and therefore strikes

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

² [Eight Scottish Hydro Electric Transmission projects - Early Construction Funding and licence consultation round 2 | Ofgem](#)

³ [Decision to modify the special licence conditions in the electricity transmission licences: Accelerated Strategic Transmission Investment](#), Accelerated Strategic Transmission Investment Guidance And Submission Requirements Document

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. has justified exceeding the stated threshold of 20% of total forecasted project cost as set by SpC 3.41.8 for two of the eight projects. For project SLU4, this has related to a higher volume of steel required for the overhead line equipment due to the topography, terrain, and environmental constraints in the area. For project BDUP, this has related to upgrading multiple substations from 275kV to 400kV which has driven the need for a higher number of transformers compared to the other projects. We considered that this ECF funding would help safeguard the overall earliest in-service dates for the projects and therefore reduce the risk of consumers incurring constraint costs; and
 - c. presented clear justification for why it is in consumers' interests to provide funding for the proposed activities to take place ahead of our cost assessment process (Accelerated Strategic Transmission Investment project assessment (ASTI PA) stage) as the early construction activities will aid in accelerating project delivery.
7. This modification is to give effect to our final decision to add allowances to the ASTI Confidential Annex as referenced in Appendix 1 (ASTIA_t) of SpC 3.41 'Accelerated strategic transmission investment Re-opener and Price Control Deliverable term (ASTIR_t)' in the Licence to allow SHET's ECF expenditure request. The addition to the allowances will be reflected in what will now become the latest version of the ASTI Confidential Annex.
8. For reasons of commercial sensitivity, details of the amended allowance are confidential but will be issued to SHET in the updated ASTI Confidential Annex. Therefore, except for the ASTI Confidential Annex, a copy of the 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
9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Appendix 2 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.
10. Under the powers set out in section 11A(1)(a) of the Act, we hereby modify Appendix 1 in SpC 3.41 of the Electricity Transmission Licence of Scottish Hydro

Electric Transmission Plc in the manner specified in the attached Appendix 1. This modification will take effect from 09 January 2026.

11. This document is notice to the reasons for the decision to modify the Electricity Transmission Licence held by Scottish Hydro Electric Transmission Plc as required by section 49A(2) of the Act.

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Thomas Johns
Deputy Director, Major Projects Delivery
Duly authorised on behalf of the
Gas and Electricity Markets Authority

19 November 2025

Appendix 1. SpC 3.41 – modifications

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 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:

- 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 (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 (ASTI_t, £m)	ECF/PA
Beaully to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF
Uprate the Beaully to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF
Beaully to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF
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	
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF

ASTI Output	Delivery Date	Allowance (ASTIA_t, £m)	ECF/PA
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF
East Coast Onshore 400 kV Phase 2 reinforcement (NOA Code: TKUP)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF
Arnish to Beaulieu 1.8GW HVDC link (Western Isles)	31 December 2031	<u>Have the value given in the ASTI Confidential Annex</u>	ECF

Appendix 2

ASTI Output availability standard

Minimum circuit availability standard after delivery (%)

ASTI Output	0-6m	6-12m	12-24m
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)			

ASTI Output	0-6m	6-12m	12-24m
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)			
Uprate Hackney, Tottenham and Waltham Cross 275 kV to 400 kV (NOA Code: HWUP)			
New 400 kV double circuit between the existing Norton to Osbaldwick 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)			

Appendix 2. Relevant licence holders

Electricity Transmission

Scottish Hydro Electric Transmission plc