

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 10 October 2025 (“the Notice”)² that we proposed to modify what was special condition 3.40 and will become Special Condition (SpC) 3.20 as from 1 April 2026 (Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t)) of the Licence. We stated that any representations to the modification proposal must be made on or before the 7 November 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 six responses to the Notice. We carefully considered them and are publishing the non-confidential response alongside this modification. A summary of the stakeholders’ responses and our view on them is set out in Chapter 2 of the decision document which is published alongside this modification.
5. Considering the responses 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 the requirements of section 11A, as applied by SpC 3.40.10³ the Accelerated Strategic Investment Guidance and Submission Requirements Document, the reasons we are making the modifications are because we are satisfied that SHET’s ASTI Pre-Construction Funding (PCF) request:
 - 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; and

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

² [Scottish Hydro Electric Transmission: pre-construction funding and licence consultation | 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

- b. there is a clear justification for why it is in consumers’ interests to provide funding for the proposed activities.
- 7. This modification is to give effect to our final decision to add allowances to the ASTI Confidential Annex as set out in Appendix 1 and 2 of SpC 3.20 ‘Accelerated strategic transmission investment Pre-Construction Funding Reopener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t)’ in the Licence to allow SHET’s ASTI PCF 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 and 2 in SpC 3.20 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 30 April 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

5 March 2026

Appendix 1. SpC 3.20 – modifications

Special Condition 3.20 Accelerated strategic transmission investment Pre-Construction Funding Re-opener, Price Control Deliverable and Use It Or Lose It Adjustment (APCF_t)

Introduction

3.20.1 The purpose of this condition is to calculate the term APCF_t (the ASTI Pre-Construction Funding Price Control Deliverable term). This contributes to the calculation of the Totex Allowance.

3.20.2 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 where it expects to incur costs for Pre-Construction Works in relation to an ASTI in addition to the allowances in Appendix 1;
- (c) provide for an assessment of the Price Control Deliverable; and
- (d) provide for a Use It Or Lose It Adjustment.

3.20.3 This condition also sets out the process the Authority will follow when making changes to Appendix 1 and 2 as a result of the Re-opener.

Part A: Formula for calculating the ASTI Pre-Construction Funding Price Control Deliverable term APCF_t

3.20.4 The value of APCF_t is derived in accordance with the following formula:

$$APCF_t = APCFA_t - APCFRA_t$$

where:

APCFA _t	means the allowances in Appendix 1; and
APCFRA _t	has the value zero unless otherwise directed by the Authority in accordance with Part D.

Part B: ASTI Pre-Construction Funding outputs

3.20.5 Appendix 2 specifies the outputs the licensee is funded to deliver, the delivery dates for those outputs and the allowances provided.

Part C: Scope of the ASTI Pre-Construction Funding Re-opener

3.20.6 The licensee may, in respect of an ASTI, apply to the Authority for a modification to the outputs, delivery dates or allowances in Appendices 1 and 2 where:

- a) the licensee has incurred, or expects to incur, costs for Pre-Construction Works for outputs that are not already specified in Appendix 2, if no allowances for Pre-Construction Works have previously been provided under Special Condition 3.15 (Pre-Construction Funding Re-opener and Price Control Deliverable);
- b) the licensee expects that the total costs for Pre-Construction Works in relation to all outputs in Appendix 2 will exceed the total allowances in Appendix 1 by the Materiality Threshold; or
- c) the licensee expects a material change to one of the outputs or delivery dates in Appendix 2.

3.20.7 The licensee must notify the Authority in writing of its intention to make an application under 3.20.6 at least 8 weeks before making an application, unless the Authority directs otherwise.

3.20.8 An application under paragraph 3.20.6 must be made in writing and include:

- a) a breakdown of what Pre-Construction Works are expected to be undertaken;
- b) a breakdown of the incurred and expected costs for Pre-Construction Works;
- c) an overview of the ASTI or ASTIs to which the Pre-Construction Works and associated costs relate;
- d) the specification of any additional outputs that the licensee considers should be added to Appendix 2;
- e) a justification of why any additional Pre-Construction Works and/ or additional allowances are required; and
- f) any amendments requested to the outputs, delivery dates or allowances set out in Appendix 2.

3.20.9 The licensee must comply with the Accelerated Strategic Transmission Investment Guidance and Submissions Requirements Document when making an application under this Part.

3.20.10 A modification under this Part to the outputs, delivery dates and allowances in Appendix 2 and the allowances in Appendix 1 will be made under section 11A of the Act.

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

3.20.11 The Authority will direct a value for APCFRA_t where either of the following is appropriate:

- a) an adjustment in accordance with the assessment principles set out in Part A of Special Condition 9.3 (Price Control Deliverable assessment principles and reporting requirements), where the licensee has not Fully Delivered an output in Appendix 2; or
- b) a Use It Or Lose It Adjustment, which will be assessed after any assessment under sub-paragraph (a).

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

3.20.12 Before making a direction under paragraph 3.20.11 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 be up to 28 days.

3.20.13 A direction under paragraph 3.20.11 will set out the value of the APCFRA_t term and the Regulatory Years to which the adjustment relates, and where the direction is under paragraph 3.20.11(a) will set out:

- a) the delivery status of the output that has not been Fully Delivered; and
- b) the methodology and data that has been used to decide the delivery status and value of any adjustments to the APCFRA_t term

Appendix 1

ASTI Pre-Construction Funding Allowance table (£m)

Total value	
SHET	<u>Have the values given in the ASTI Confidential Annex. (Sum of allowances from Appendix 2, PCF Allowance)</u>

Appendix 2

ASTI Pre-Construction Funding Allowance table (£m)

Project Name	Output	Delivery Date	PCF allowance
Beauly to Blackhillock 400 kV double circuit addition (NOA Code: BBNC)	Submission of all material planning consent	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>

	applications for BBNC		
Uprate the Beaully to Denny 275 kV circuit to 400 kV (NOA Code: BDUP)	Submission of all material planning consent applications for BDUP	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>
Beaully to Loch Buidhe 400 kV reinforcement (NOA Code: BLN4)	Submission of all material planning consent applications for BLN4	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>
New 400 kV double circuit between Blackhillock and Peterhead (NOA Code: BPNC)	Submission of all material planning consent applications for BPNC	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>
Spittal to Peterhead HVDC reinforcement (NOA Code: PSDC)	Submission of all material planning consent applications for PSDC	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>
Loch Buidhe to Spittal 400 kV reinforcement (NOA Code: SLU4)	Submission of all material planning consent applications for SLU4	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>
East Coast Onshore Phase 2 400 kV reinforcement (NOA Code: TKUP)	Submission of all material planning consent applications for TKUP	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>
Arnish to Beaully 1.8GW HVDC link (Western Isles)	Submission of all material planning consent applications for Western Isles	31 March 2026	<u>Updated with the values given in the ASTI Confidential Annex.</u>

Appendix 2. Relevant licence holders

Electricity Transmission

Scottish Hydro Electric Transmission plc