

Section A: Definitions and interpretation

Condition A1 Definitions

Introduction

A1.1. The purpose of this condition is to set out the defined terms that are used in the conditions of this licence (all of which are capitalised throughout these conditions).

Part A: Definitions

A1.2. In these conditions the following defined terms have the meanings given in the table below.

A1.3. Where it is stated in these conditions that the outputs, delivery dates and allowances are located in another document, the following defined terms also have the meanings given in the table below in that document.

A1.4. Where the table below states that a defined term has the meaning given to it by:

- (a) another condition of this licence;
- (b) a condition of another licence;
- (c) the STC;
- (d) the Grid Code;
- (e) the CUSC;
- (f) the BSC;
- (g) the Uniform Network Code;
- (h) the Fuel Security Code;
- (i) a document issued and amended by the Authority by direction in accordance with this licence (any reference to such a document is to that document as amended from time to time unless otherwise specified); or
- (j) an Act of Parliament,

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

A

AAHDCS Activity	means the activity undertaken by the licensee or any ISOP Affiliate or ISOP Related Undertaking as part of the ISOP Business relating to the implementation, administration and ongoing maintenance of the AAHDCS established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
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AAHDCS Tariff	means the tariff calculated in accordance with Part B, paragraph F8.9 of condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)).
Active Power	has the meaning given to that term in the Grid Code.
Administration Allowance	means the amount of the licensee’s revenue allowance for administering the AAHDCS with the value specified in or calculated in accordance with Part A, condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)).
Adverse Effects	means any impact on the continued stability of operation of the National Electricity Transmission System including, but not limited to, any effect on the frequency or voltage of the electricity transmitted on all or any part of the National Electricity Transmission System.
Advice Process Document	means a document of that name issued to the licensee by the Secretary of State to provide for guidance and terms for the licensee to provide ISOP Advice in accordance with section 171 of the Energy Act 2023.
Affiliate	means any Holding Company of a person, any Subsidiary of that person, or any Subsidiary of a Holding Company of that person.
Affiliate of the BSCCo	means any Holding Company or Subsidiary of the BSCCo or any Subsidiary of a Holding Company of the BSCCo.
Agency	means the European Union Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 as it had effect immediately before IP Completion Day.
Allowed Security Costs	has the meaning given to that term in the Fuel Security Code.

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Ancillary Services	<p>means:</p> <p>(a) such services as any Authorised Electricity Operator may be required to have available as ancillary services pursuant to the Grid Code; and</p> <p>(b) such services as any Authorised Electricity Operator or person making Electricity Interconnector transfers may have agreed to have available as being ancillary services pursuant to any agreement made with the Electricity System Operator and which may be offered for purchase by the Electricity System Operator for the purpose of securing stability of operation of the National Electricity Transmission System and the Distribution System of any Authorised Electricity Operator or any system linked to the National Electricity Transmission System by an Electricity Interconnector.</p>
Annual Average Cold Spell Conditions	has the meaning given to the term in the Grid Code.
Annual Performance Assessment	means the annual assessment of the licensee’s performance carried out by the Authority pursuant to the arrangements established in condition G2 (Performance Reports and Assessment) and the NESO Performance Arrangements Governance Document.
Applicable Balancing Services	means those services that the Authority has directed the licensee to treat as Applicable Balancing Services.
Applicable Balancing Services Volume Data	means the amount of energy deemed by virtue of the Applicable Balancing Services Volume Data Methodology to have been produced or consumed as a result of delivering Applicable Balancing Services.

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Applicable Balancing Services Volume Data Methodology	means a methodology to be used by the licensee to determine what volumes of Applicable Balancing Services are to be taken into account under the BSC for the purposes of determining in whole or in part the Applicable Balancing Services Volume Data in any period, which methodology shall cover each of the Applicable Balancing Services which the licensee buys, sells or acquires at the time at which the methodology is established.
Applicable BSC Objectives	means the objectives set out in condition E1 (Balancing and Settlement Code) paragraph E1.13.
Applicable Connection Charging Objectives	means the Use of System Charging Objectives, as if references therein to the Use of System Charging Methodology were to the Connection Charging Methodology and in addition, the objective (where consistent with the other objectives) of facilitating competition in the carrying out of works for connection to the National Electricity Transmission System.
Applicable CUSC Objectives	means the objectives set out in condition E2 (Connection and Use of System Code (CUSC)) paragraph E2.4.
Applicable Executive Committee Members	means the licensee’s chief executive officer, chief operating officer, and chief financial officer (or any equivalent positions).
Applicable Grid Code Objectives	means the objectives set out in condition E3 (Grid Code) paragraph E3.2(b).
Applicable Senior Staff	means employees of the licensee which: <ul style="list-style-type: none"> (a) hold senior leadership positions and are members of executive committees (or equivalent decision-making groups) which oversee the operation of the ISOP Business; and (b) have relevant leadership responsibilities or accountabilities with respect to the delivery of value for money in the licensee’s expenditure or the achievement of the performance outcomes assessed as part of the Annual Performance Assessment.

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	This includes but is not limited to the licensee’s chief executive operator; chief operating officer; chief financial officer; members of any executive committees established to oversee the delivery of the licensee’s Business Plan commitments; and any persons that the Authority confirms meets criteria (a) and (b) above.
Applicable SQSS objectives	means the objectives set out in condition E7 (Transmission system security standard and quality of service), paragraph E7.4.
Applicable STC Objectives	means the objectives set out in condition E4 (System Operator - Transmission Owner Code) paragraph E4.5.
Application Regulations	means regulations in force at the time of application made pursuant to section 6A of the Electricity Act 1989.
Application Window	means the time period during which a person subject to the Gate 2 Criteria may submit an application under Condition E12 (Requirement to Offer Terms).
Asset Disposal	means the disposal of a Relevant Asset, whereby: <ul style="list-style-type: none"> (a) in relation to a Relevant Asset situated in England and Wales, disposal means any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition; (b) in relation to a Relevant Asset situated in Scotland, disposal means the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of

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	<p>affecting the title to a registered interest in land;</p> <p>(c) in relation to disposal of a Relevant Asset situated in a Renewable Energy Zone any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist.</p>
Assimilated Law	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
Assistance Amount	means the amount payable by the licensee to a Relevant Distributor in relation to any Relevant Year made in accordance with Part C, paragraph F8.18 of condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)) and with the value specified in or calculated in accordance with paragraph F8.3 of condition F8.
Assistance for Areas with High Distribution Costs Scheme (AAHDCS)	means the scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
Associated TO Agreement	means an agreement between the licensee and another STC Party which is entered into following the licensee's acceptance of a TO Offer from that other STC Party and reflects that TO Offer.
Associated TO Offer	means a TO Offer which relates either (1) to an offer made by the licensee pursuant to condition E12 (Requirement to offer terms) or condition C11 (Requirements of a Connect and Manage Connection) (as appropriate) or (2) to another TO Offer which relates to an offer made by the licensee pursuant to condition E12 (Requirement to offer terms) or condition C11 (Requirements of a Connect and Manage Connection) (as appropriate).
Authorised Distributor	has the same meaning as in Part 1 of the Electricity Act 1989.

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Authorised Electricity Operator	means any person (other than the licensee in its capacity as operator of the National Electricity Transmission System) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an Electricity Interconnector and for the purposes of condition B6 (Prohibition on discriminating between users), condition E12 (Requirement to offer terms), and condition E13 (Functions of the Authority) shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the National Electricity Transmission System across any Electricity Interconnector (or who has made an application for use of an Electricity Interconnector which has not been refused).
Authorised Supplier	has the same meaning as in Part 1 of the Electricity Act 1989.
Authority	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.
Authority's Website	means www.ofgem.gov.uk

B

Backstop Direction	means the direction given by the Authority which requires proposal(s) for modification of the relevant Industry Code and any alternatives to be withdrawn and which causes the Relevant Code Significant Code Review Phase to recommence in accordance with: <ul style="list-style-type: none">(a) for the purposes of condition E2 (Connection and Use of System Code (CUSC)) only, paragraph E2.21;(b) for the purposes of condition E3 (Grid Code) only, paragraph E3.19;(c) for the purposes of condition E1 (Balancing and Settlement
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	<p>Code) only, paragraph E1.30; and</p> <p>(d) for the purposes of condition E4 (System Operator - Transmission Owner Code) only, paragraph E4.19.</p>
Bad Debt	means the expense incurred by the licensee when Transmission Network Charges related charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Balancing and Settlement Arrangements	means the arrangements as set out in paragraph E1.12 of condition E1 (Balancing and Settlement Code (BSC)).
Balancing and Settlement Code (BSC)	means the Balancing and Settlement Code provided for in paragraph E1.3 of condition E1 (Balancing and Settlement Code (BSC)), as from time to time modified in accordance with that condition.
Balancing Mechanism	means the mechanism for the making and acceptance of offers and bids pursuant to the arrangements contained in the BSC and referred to in paragraph E1.12(a) of condition E1 (Balancing and Settlement Code (BSC)).
Balancing Principles Statement	means a statement prepared and published by the licensee in accordance with Part E of condition C9 (Design, procurement and use of Balancing Services).

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Balancing Services	<p>means:</p> <ul style="list-style-type: none"> (a) Ancillary Services; (b) offers and bids made in the Balancing Mechanism; (c) Restoration Services; and (d) other services available to the licensee which serve to assist the licensee in co-ordinating and directing the flow of electricity onto and over the National Electricity Transmission System in accordance with its statutory duties or the conditions of this licence, but shall not include anything provided by a Transmission Licensee pursuant to the STC.
Balancing Services Adjustment Data Methodology	<p>means a methodology to be used by the licensee to determine what costs and volumes of Relevant Balancing Services are to be taken into account under the BSC for the purposes of determining in whole or in part the Imbalance Price in any period, which methodology must cover each of the kinds of Balancing Services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.</p>
Balancing Services Annual Report	<p>means a report of that name published by the licensee under paragraph C9.18 of condition C9 (Procurement and use of Balancing Services).</p>
Balancing Services Charges	<p>means charges levied by the licensee in respect of all Electricity Licence Expenditure incurred as part of the ISOP Business.</p>
Base Interest Rate	<p>means, in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding Business Day.</p>

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Bidder	has the meaning given in Regulation 2 of the Tender Regulations.
Bilateral Agreement	means a Bilateral Connection Agreement and/or a Bilateral Embedded Generation Agreement.
Bilateral Connection Agreement	means an agreement between the licensee and a CUSC User supplemental to the CUSC relating to a direct connection to the National Electricity Transmission System identifying the relevant connection site and setting out other site-specific details in relation to that connection to the National Electricity Transmission System, including provisions relating to payment of Connection Charges.
Bilateral Embedded Generation Agreement	means an agreement entered into between the licensee and a CUSC User supplemental to the CUSC, relating to a generating station (or other connections provided for in the CUSC) connected to a Distribution System and the use of the National Electricity Transmission System in relation to that generating station (or other connections provided for in the CUSC) identifying the relevant site of connection to the Distribution System and setting out other site specific details in relation to that use of the National Electricity Transmission System.
Board	means the licensee’s board of directors.
BSC Code Administrator	a secretarial or administrative person or body, as specified in the BSC, to perform the role of code administrator.
BSC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended with the consent of the Secretary of State.
BSC Panel	a panel body for the BSC, whose functions must include the matters required by condition E1 (Balancing and Settlement Code (BSC)) and as set out in the BSC.

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BSC Party	means any Authorised Electricity Operator which is a party, and (unless the context otherwise requires) any other person which is a party, to the BSC Framework Agreement, other than the licensee and any person which is such a party for the purposes only of administering and/or facilitating the implementation of the BSC.
BSC Significant Code Review Phase	<p>means the period:</p> <p>(a) commencing either:</p> <ul style="list-style-type: none"> (i) on the start date of a Significant Code Review as stated by the Authority; or (ii) on the date the Authority makes a Backstop Direction; and <p>(b) ending either:</p> <ul style="list-style-type: none"> (i) on the date on which the Authority issues a statement under paragraph E1.26(b) (that no directions will be issued in relation to the BSC); or (ii) if no statement is made under paragraph E1.26(b) or (d), on the date on which the licensee has made a modification proposal in accordance with paragraphs E1.17(b), E1.18(b), and E1.26(a) or the Authority makes a modification proposal under paragraph E1.26(c); or (iii) immediately under paragraph E1.26(c), if neither a statement, a modification proposal or directions are made by the Authority up to and including 28 days from the Authority’s publication of its

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	<p>Significant Code Review conclusions; or</p> <p>(iv) if a statement has been made under paragraph E1.26(d) or a Backstop Direction issued, on the date specified in accordance with paragraph E1.27 of condition E1 (Balancing and Settlement Code (BSC)).</p>
BSCCo	means Elexon Ltd where Elexon fulfils the role of Balancing and Settlement Code Company.
Business Day	means any weekday other than a Saturday on which the banks are open for domestic business in the City of London.
Business Plan	means a plan established and published under Part A of condition G1 (Business Plan).

C

Capacity Market (CM)	means the scheme established by the Electricity Capacity Regulations 2014 (as amended) and the Capacity Market Rules (as amended) to which the licensee is the nominated delivery body.
Carry-over Network Innovation Allowance (CNIA)	means the allowance provided by Part A of condition F2 (Innovation Funding) to extend the RIIO-2 NIA for an additional Regulatory Year, and the first half of the following Regulatory Year.
Centralised Strategic Network Plan (CSNP)	means the coordinated strategic plan for long-term development of the electricity and gas transmission systems, including hydrogen and other energy vectors over a 25-year period that identifies the need for delivery of immediate and future infrastructure projects across Great Britain as well as identifying solutions for long and short-term system operability issues.

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Charge Restriction Condition	means any condition (including, without limitation, any revenue restriction condition) of this licence which places a monetary limitation on the revenue which may be recovered by the licensee during a given period.
Charging Methodologies	means: <ul style="list-style-type: none"> (a) the Use of System Charging Methodology established in accordance with condition E10 (Use of System charging and methodology); and/or (b) the Connection Charging Methodology established in accordance with condition E11 (Connection Charging Methodology), as applicable.
Charging Methodology Forum	means the forum (and related arrangements) established in the manner specified in the CUSC to facilitate meetings between the licensee and any other persons whose interests are materially affected by the applicable Charging Methodologies for the purpose of discussing the further development of the applicable Charging Methodologies, as shall be specified in the CUSC.
Citizens Advice	means the National Association of Citizens Advice Bureaux.
Citizens Advice Scotland	means the Scottish Association of Citizens Advice Bureaux.
Code of Practice	means the Code Administration Code of Practice approved by the Authority and: <ul style="list-style-type: none"> (a) developed and maintained by the Relevant Code Administrators from time to time; (b) amended subject to the Authority’s approval from time to time; and (c) re-published from time to time.

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Codes Materially Affected Party	any person or class of persons designated by the Authority for this purpose.
Commercial Operational Services	means a service provided to the licensee by Transmission Owners or any successor company to each with the purpose of lowering the overall costs associated with the procurement and use of Balancing Services by the licensee above these parties obligations under the licence or the STC.
Commission	means the form of the direction issued by the Secretary of State for the licensee to develop the SSEP, that sets out the scope, timing, inputs, outputs, interaction with wider strategic plans, and governance of the SSEP.
Commissioned	has the meaning given to it in section 11 of the CUSC.
Completion Notice	means a notice given by the licensee to the Authority in relation to an Offshore Transmission System stating that it would be possible to carry on an activity to which section 4(1)(b) of the Electricity Act 1989 applies by making available for use that system.
Compliance Officer	means a competent person with the skills and knowledge appointed to facilitate the licensee's compliance with the Independence Requirements and obligations under condition B1 (Independence Requirements and compliance obligations).
Compliance Report	means a report produced in accordance with Part F of condition B1 (Independence Requirements and compliance obligations).
Connect and Manage Applicant	means a person seeking a Connect and Manage Connection to the National Electricity Transmission System or Distribution System by submitting a Connect and Manage Application to the licensee.
Connect and Manage Application	means an application from a Connect and Manage Applicant for connection to the National Electricity Transmission System or Distribution System or for modification

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	to an existing connection to the National Electricity Transmission System or Distribution System after the Connect and Manage Implementation Date.
Connect and Manage Connection	means the connection or modification of an existing connection to the National Electricity Transmission System or Distribution System of a Connect and Manage Applicant, that is dependent upon completion of Enabling Works but not on completion of Wider Works on the National Electricity Transmission System.
Connect and Manage Derogation	means a temporary derogation, by reference to the Connect and Manage Derogation Criteria, from paragraph E7.2 of condition E7 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 of the National Electricity Transmission System security and quality of supply standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply) which is necessary to make a Connect and Manage Offer where failure to complete Wider Works before the Connection Date would otherwise render the National Electricity Transmission System non-compliant with such planning and operation standards (the Connect and Manage Derogation to be applicable only until completion of the Wider Works in relation to which the derogation relates).
Connect and Manage Derogation Criteria	means the criteria defined as such in the CUSC.
Connect and Manage Derogation Report	means the report prepared by the licensee in respect of a Connect and Manage Derogation.
Connect and Manage Implementation Date	means the date which the Secretary of State determines to be the Connect and Manage Implementation Date.
Connect and Manage Offer	means an offer from the licensee to a Connect and Manage Applicant for a Connect and Manage Connection pursuant

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	to condition C11 (Requirements of a Connect and Manage Connection).
Connect and Manage Transferee	means persons who have received or have accepted an Interim Connect and Manage Offer but who have not yet been connected to the National Electricity Transmission System or Distribution System as at the Connect and Manage Implementation Date pursuant to that Interim Connect and Manage Offer.
Connect and Manage Transition Period	means the period ending 6 months after the Connect and Manage Implementation Date.
Connection and Use of System Code (CUSC)	means the Connection and Use of System Code provided for in paragraphs E2.5 and E2.6 of condition E2 (Connection and Use of System Code (CUSC)), as from time to time modified in accordance with that condition.
Connection Charges	means charges made or levied or to be made or levied by the licensee for the carrying out (whether before or after the date on which the licence came into force) of works and provision and installation of electrical plant, electric lines and meters in constructing or modifying entry and exit points on the National Electricity Transmission System together with charges in respect of maintenance and repair of such items in so far as not otherwise recoverable as Use of System Charges and in respect of disconnection and the removal of electrical plant, electric lines and ancillary meters following disconnection, all as more fully described in paragraphs E11.5 and E11.9 of condition E11 (Connection charging methodology), whether or not such charges are annualised.
Connection Charging Methodology	means the principles on which, and the methods by which, for the purposes of achieving the Applicable Connection Charging Objectives, Connection Charges are determined.
Connection Charging Methodology Statement	means the statement produced in accordance with condition E11

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	(Connection Charging Methodology) of the Electricity System Operator Licence, as modified from time to time.
Connection Date	means the date on which a Connect and Manage Applicant is connected to or able to use the National Electricity Transmission System or Distribution System in accordance with a Connect and Manage Offer.
Connections Methodologies	means: (a)the Gate 2 Criteria Methodology; and/or (b)the Connections Network Design Methodology; and/or (c) the Project Designation Methodology as applicable.
Connections Network Design Methodology	means the document issued by the ISOP and approved by the Authority in accordance with Condition E16 (Connections Network Design Methodology) of the Electricity System Operator Licence.
Connections Process	means the process undertaken by the ISOP, Transmission Owners, Offshore Transmission Owners Authorised Distributors to assess connection applications and provide offers in accordance with the CUSC, DCUSA, STC and Connections Methodologies.
Construction Agreement	means an agreement between the licensee and a CUSC User in respect of construction works required on the National Electricity Transmission System and the associated construction works of the CUSC User in relation to a connection to the National Electricity Transmission System or in relation to a generating station connected to a Distribution System, whether for the initial connection or a modification of the connection.
Consumer Prices Index Including Owner Occupiers' Housing Costs (CPIH)	means the consumer prices index including owner occupiers' housing costs (all items)

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	published by the Office for National Statistics.
Consumer Scotland	means the body corporate established by the Consumer Scotland Act 2020, or any successor body.
Contracts for Difference (CfD)	means a contract for difference under Chapter 2 of Part 2 of the Energy Act 2013 (as amended) to which the licensee is the nominated delivery body.
Core Industry Documents	means the documents which: <ul style="list-style-type: none"> (a) in the Secretary of State’s opinion are central industry documents associated with the activities of the licensee and Authorised Electricity Operators, the subject matter of which relates to or is connected with the BSC or the Balancing and Settlement Arrangements; and (b) have been so designated by the Secretary of State.
Correction Amount	means the amount for reconciliation of payments in respect of the AAHDCS with the value as specified in or calculated in accordance with Part A, paragraph F8.6 (Assistance for Areas with High Distribution Costs Scheme).
Cost Efficiency Notice	means a notice issued by the Authority to the licensee under Part A of condition F1 (Expenditure and allowed revenue).
Cost Efficiency Plan	means a written submission to the Authority as required in Part A of condition F1 (Expenditure and allowed revenue).
Criteria Regulations	means the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024.
CSNP Coordination Governance Document	means a document developed and published by the Authority in accordance with Part G of condition C17 (Centralised Strategic Network Plan).

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CSNP Guidance	means the document detailing the requirements for the licensee in its development of the CSNP in accordance with condition C17 (Centralised Strategic Network Plan).
CSNP Methodology	means the methodology describing how the licensee will develop the Centralised Strategic Network Plan, approved by the Authority, in accordance with condition C17 (Centralised Strategic Network Plan).
CUSC Code Administrator	A secretarial or administrative person or body, as specified in the CUSC, to perform the role of code administrator.
CUSC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the CUSC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.
CUSC Panel	a panel body for the CUSC, whose functions must include the matters required by condition E2 (Connection and Use of System Code (CUSC)) and as set out in the CUSC.
CUSC Party	means a party or parties to the CUSC Framework Agreement.
CUSC Significant Code Review Phase	means the period: <ul style="list-style-type: none"> (a) commencing either: <ul style="list-style-type: none"> (i) on the start date of a Significant Code Review as stated by the Authority; or (ii) on the date the Authority makes a Backstop Direction; and (b) ending either: <ul style="list-style-type: none"> (i) on the date on which the Authority issues a statement under paragraph E2.17(b) (that no directions will be issued in relation to the CUSC); or (ii) if no statement is made under paragraph

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	<p>E2.17(b) or E2.17(d), on the date on which the licensee has made a modification proposal in accordance with paragraphs E2.10(b), E2.17(a) and E2.23(c)(i), or the Authority makes a modification proposal under paragraph E2.17(b); or</p> <p>(iii) immediately under paragraph E2.17(e), if neither a statement, a modification proposal or directions are made by the Authority up to and including 28 days from the Authority’s publication of its Significant Code Review conclusions, or</p> <p>(iv) if a statement has been made under paragraph E2.17(d) or a Backstop Direction has been made, on the date specified in accordance with paragraph E2.18, of condition E2 (Connection and Use of System Code (CUSC)).</p>
CUSC User	means a CUSC Party other than the licensee.

D

Data Best Practice	means a set of principles referenced to in the Data Best Practice Guidance document.
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of condition C3 (Digitalisation).
Day 2 CTA Contract	means a contractual agreement between the licensee and National Grid Plc or its Affiliates or Related Undertakings in respect of costs incurred by National Grid Plc or its Affiliates or Related Undertakings

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	for the delivery of FSO Transition Activities carried on or after FSO Day 1, and which has met the requirements set out in any direction issued by the Authority under condition F10.5.
Defaulting Connection and Use of System Code Party	means a party to the CUSC which has failed to make payments to the licensee in accordance with the requirements of that code.
Demand Side Response	means a commitment by a person to provide an amount of electricity capacity by either reducing the import of electricity or exporting electricity generated (as more fully defined in the Electricity Capacity Regulations 2014).
Designation Criteria	means the criteria specified in the Project Designation Methodology.
Developer	has the meaning given to it in regulations made by the Authority under section 6C of the Electricity Act 1989.
Developer Capacity	has the meaning given to that term in the CUSC.
Developer-Associated Offshore Wider Works	means Offshore Wider Works: (a) which are specified by the licensee in an offer, agreement or variation to the contractual terms made under condition E12 (Requirement to offer terms); and (b) for which the person seeking connection will undertake Preliminary Works and/or construction.
Development Information Objectives	means the objectives as set out in paragraph C12.5 of condition C12 (Production of information about the National Electricity Transmission System).
Digitalisation	means the use of digital technologies to change an organisation’s operating model and provide new revenue or equivalent value-creating opportunities; it is the process of moving to a digital business or organisation.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of condition C3 (Digitalisation).

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Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of condition C3 (Digitalisation).
Disapplication Date	means the date proposed by the licensee under a Disapplication Request on and after which the specified Relevant Licence Conditions (or any part or parts of them) would cease to have effect.
Disapplication Notice	means the notice under condition F9 (Disapplication and suspension of Relevant Licence Conditions) that terminates the application of the Relevant Licence Conditions (or any part or parts of them) specified in that request.
Disapplication Request	means a request under condition F9 (Disapplication and suspension of Relevant Licence Conditions) to consent to the disapplication of the Relevant Licence Conditions (in whole or in part).
Disposal	has the meaning given in standard condition 29 (Disposal of Assets) of the Transporter Licence.
Distribution Code	means any distribution code required to be prepared by a Licensed Distributor pursuant to standard condition 21 (The Distribution Code) of a Distribution Licence and approved by the Authority and revised from time to time with the approval of the Authority.
Distribution Connection and Use of System Agreement (DCUSA)	means the agreement provided for in standard condition 22 (Distribution Connection and Use of System Agreement) of the Distribution Licence, as modified in accordance with that condition.
Distribution Licence	means a licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989.
Distribution Network	means a gas distribution network as defined with reference to the aggregate of its constituent local distribution zones (as defined in the Uniform Network Code ('LDZs')) in accordance with the table set out below:

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	<table border="1"> <tr> <td>Distribution Network</td> <td>LDZ</td> </tr> <tr> <td>East of England</td> <td>East Midlands, Eastern</td> </tr> <tr> <td>London</td> <td>North Thames</td> </tr> <tr> <td>North West</td> <td>North West</td> </tr> <tr> <td>West Midlands</td> <td>West Midlands</td> </tr> <tr> <td>Northern</td> <td>Northern, North East</td> </tr> <tr> <td>Scotland</td> <td>Scotland</td> </tr> <tr> <td>Southern</td> <td>South East, Southern</td> </tr> <tr> <td>Wales and West</td> <td>Wales North, Wales South, South West</td> </tr> </table>	Distribution Network	LDZ	East of England	East Midlands, Eastern	London	North Thames	North West	North West	West Midlands	West Midlands	Northern	Northern, North East	Scotland	Scotland	Southern	South East, Southern	Wales and West	Wales North, Wales South, South West
Distribution Network	LDZ																		
East of England	East Midlands, Eastern																		
London	North Thames																		
North West	North West																		
West Midlands	West Midlands																		
Northern	Northern, North East																		
Scotland	Scotland																		
Southern	South East, Southern																		
Wales and West	Wales North, Wales South, South West																		
Distribution System	means the system consisting (wholly or mainly) of electric lines owned or operated by an Authorised Distributor and used for the distribution of electricity from Grid Supply Points or Generation Sets or other entry points to the points of delivery to customers or Authorised Electricity Operators or any Transmission Licensee or the ISOP in its capacity as operator of the relevant licensee's Transmission System or the National Electricity Transmission System and includes any electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but must not include any part of the National Electricity Transmission System.																		
Distribution System Operator	means a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the Distribution System in a given area and, where applicable, its interconnections with other systems and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of electricity.																		

Annex – Modifications to the Electricity System Operator Licence (Tracked)

DN Operator	means a person who holds a licence granted or treated as granted under section 7 of the Gas Act 1986 in relation to one or more Distribution Networks who is obliged to comply with one or more conditions in standard special conditions Part D of the Transporter Licence.
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of condition C3 (Digitalisation).

E

Early-Model Tender Exercise	means a tender exercise which relates to a project before the completion of preliminary works, as defined in the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024.
Electricity Balancing Regulation	means Commission Regulation (EU) No 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing as it had effect immediately before IP Completion Day as read with the modifications set out in both SI 2019/532- The Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 and SI 2024/706 - Energy Act 2023 (Consequential Amendments) Regulations 2024.
Electricity Capacity Report	means the report prepared by the licensee and defined in Regulation 7 of the Electricity Capacity Regulations 2014.
Electricity Directive	means Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC as it has effect immediately before IP Completion Day as read with the modifications set out in the Electricity Act 1989.
Electricity Generator	means any person who holds a Generation Licence granted under section 6(1)(a) of the Electricity Act 1989.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Electricity Interconnector	has the meaning given to 'electricity interconnector' in section 4(3E) of the Electricity Act 1989.
Electricity Licence Expenditure	means expenditure the licensee has allocated for recovery through condition F1 (Expenditure and allowed revenue) according to the Total Cost Allocation Methodology.
Electricity Licensee	means a person who holds a licence granted or treated as granted under the Electricity Act 1989.
Electricity Market Reform (EMR)	means the reform of the electricity market provided for in EMR Legislation.
Electricity Markets	means markets for electricity, including over-the-counter markets and electricity exchanges, markets for the trading of energy, capacity, Balancing Services and Ancillary Services in all timeframes, including forward, day-ahead and intraday markets.
Electricity Network Innovation Strategy	means a document, or suite of documents, published by the Relevant Network Licensees that complies, or together comply, with the requirements of condition C14 (Electricity Network Innovation Strategy).
Electricity Regulation	means Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP Completion Day as read with the modifications set out in the SI 2020/1006.
Electricity Storage	means the conversion of electrical energy into a form of energy that can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy.
Electricity Storage Facility	means a facility where Electricity Storage occurs.
Electricity Supply Licence	means a licence granted or treated as granted under section 6(1)(d) of the Electricity Act 1989.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Electricity System Operator	means a person who holds an Electricity System Operator Licence and who is the ISOP.
Electricity System Operator Licence	means a licence granted or treated as granted under section 6(1)(da) of the Electricity Act 1989.
Electricity System Restoration	means the procedure used to restore power in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code) of the National Electricity Transmission System.
Electricity System Restoration Assurance Framework	means the document of that name prepared by the licensee under Part B of condition C4 (Electricity System Restoration Standard).
Electricity System Restoration Model	means the model used by the licensee to assess the capabilities of the National Electricity Transmission System and provide a range of credible Restoration Times.
Electricity System Restoration Standard	means the target Restoration Time(s) that the Secretary of State directs the licensee to have the capability to meet.
Electricity Ten Year Statement (ETYS)	means the statement prepared by the licensee in accordance with Part A of condition C12 (Production of information about the National Electricity Transmission System).
Eligible CNIA Projects	means RIIO-2 NIA Projects on which work commenced prior to 31 March 2026, pursuant to the requirements of the RIIO-2 NIA Governance Document.
Eligible SIF Projects	means a project undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor that the Authority assess as satisfying such requirements of the SIF Governance Document as are necessary to enable the project to be funded under the SIF Funding Mechanism.
Embedded Transmission Systems	means a transmission system consisting of plant and equipment that includes relevant offshore lines which forms part of the National Electricity Transmission System

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	by utilising a connection to a Distribution System.
Emergency Processes Assessment	means a report of that name prepared under Part D of condition C7 (Energy resilience and resilience reporting).
EMI Modification Proposal	means a modification proposal reflecting the terms set out in Schedule 1 and Schedule 2 to The Energy Market Investigation (Electricity Transmission Losses) Order 2016.
EMR Legislation	means Part 2 of the Energy Act 2013 and any secondary legislation or other rules in force pursuant to that Part.
Enabling Works	means the minimum Transmission Reinforcement Works required to be completed on the National Electricity Transmission System to permit the Connect and Manage Applicant access to the National Electricity Transmission System or Distribution System, where such works are defined in the manner provided for in the CUSC and identified in the Construction Agreement.
Energy Resilience Assessment Report	means a report of that name prepared under Part C of condition C7 (Energy resilience and resilience reporting).
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
ESO Allowed Revenue	means the total revenue recoverable by the licensee through Balancing Services Charges as is derived in Part C of condition F1.
ETYS Interested Parties	includes Authorised Electricity Operators, potential Offshore Transmission Owners, the Crown Estate, Government bodies and institutions with an interest in the development of the National Electricity Transmission System.
Existing Offshore Generator	means an Electricity Generator with a generating station located in Offshore Waters that has a Relevant Offshore Agreement for connection via lines of

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	132kV or above that are wholly or partly in Offshore Waters.
Expenses Policy	means the expenses policy described in condition F7 (Remuneration Policy and Expenses Policy).
External Expenditure	Means the net expenditure incurred by the licensee in relation to the procurement of Balancing Services, agreements to support the stability of a User System, and payments for Outage Changes and Commercial Operational Services, and which is recoverable through the term EXTEt in Part E of condition F1 (Expenditure and allowed revenue).

F

Fast Track Self-Governance Criteria	means that a proposal, if implemented: <ul style="list-style-type: none"> (a) would meet the Self-Governance Criteria; and (b) is properly a Housekeeping Modification required as a result of some error or factual change, including but not limited to: <ul style="list-style-type: none"> (i) updating names or addresses listed in the relevant Industry Code; (ii) correcting minor typographical errors; (iii) correcting formatting and consistency errors, such as paragraph numbering; or (iv) updating out of date references to other documents or paragraphs.
Financial Conduct Authority	means the financial conduct authority established under Part 1A of the Financial Services and Markets Act 2000.
Financial Year	means a period of 12 months beginning on 1st April of each year and ending on 31st March of the following calendar year.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Flexibility Market Asset Registration	means common digital infrastructure enabling the collection, storage and access of asset registration data for local and national flexibility markets, covering technical asset data and flexibility service data.
Flexibility Market Rules	means the set of rules of that name (inclusive of rules in respect of Flexibility Market Asset Registration) owned by the Market Facilitator and developed in collaboration with the licensee.
FSO Day 1	means the date on which the first designation of the Independent System Operator and Planner (ISOP) had effect under the Energy Act 2023 which was 1 October 2024.
FSO Day 1 Agreements	means the Day 2 CTA Contract, Leases, the Operational Services Agreement and the Transitional Services Agreement.
FSO Transition Activities	means activities carried out by the licensee and/or National Grid Holdings One plc (together with other companies in National Grid plc's group) to: <ul style="list-style-type: none"> (a) separate the licensee's business from National Grid Holdings One plc and other companies in National Grid plc's group; (b) transform the licensee so it has the capabilities, systems and processes needed to perform the roles and responsibilities of the ISOP (including with respect to gas); and (c) support the development of the governance and regulatory arrangements for the ISOP.
Fuel Security Code	means the document of that title designated as such by the Secretary of State as from time to time amended.
Fuel Trading Business	means: <ul style="list-style-type: none"> (a) activities connected with the acquisition and Disposal of gas or electricity in Great Britain;

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	<p>(b) activities connected with the storage of gas at an offshore storage installation or storage cavities in natural strata; or</p> <p>(c) activities connected with arranging with a Gas Transporter for gas to be introduced into, conveyed by means of or taken out of a pipeline system operated by that Gas Transporter, other than such activities relating to gas or electricity intended for consumption outside Great Britain as are designated for the purposes of this condition by the Authority.</p>
Future Energy Pathways	means the range of different, optimal pathways developed by the licensee to decarbonise the UK’s electricity and gas system to meet Government net zero targets set out in the Climate Change Act 2008 and associated policies.
Future Energy Pathways Guidance	means the document, developed by the Authority in accordance with condition C15, that sets out guidance for the licensee in developing the Future Energy Pathways.
Future Energy Pathways Methodology	means the analytical and procedural framework developed by the licensee and approved by the Authority which sets out how the licensee will model future supply and demand to develop a range of different, credible pathways.

G

Gas Interconnector	has the meaning given to 'gas interconnector' in section 5 of the Gas Act 1986.
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Annex – Modifications to the Electricity System Operator Licence (Tracked)

Gas Licence Expenditure	means expenditure the licensee has allocated for recovery through the term set out in condition F1 (Gas revenue calculations and notification process) of the Gas System Planner Licence which: <ul style="list-style-type: none"> (a) is allocated in accordance with the Total Cost Allocation Methodology; (b) is an amount which is reflective of the expenditure incurred by the licensee in undertaking the functions of the Gas System Planner Licence; (c) excludes any interest, other financing and corporation tax costs; and (d) excludes any costs that the licensee has been allowed under Part C of condition F1 (Expenditure and allowed revenue) of this licence.
Gas Shipper	has the meaning given to this term in section 7A(11) of the Gas Act 1986.
Gas System Planner Licence	means a licence granted or treated as granted under section 7AA of the Gas Act 1986.
Gas Transporter	has the meaning given to this term in section 7(1) of the Gas Act 1986.
Gate 1	means the type of connection offer that has the meaning given to that term in the CUSC.
Gate 2	means the type of connection offer that has the meaning given to that term in the CUSC.
Gate 2 Criteria	means the criteria specified in the Gate 2 Criteria Methodology.
Gate 2 Criteria Methodology	means the document issued by the ISOP and approved by the Authority in accordance with Condition E16 (Connections Network Design Methodology) of the Electricity System Operator Licence.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Generation Licence	means a licence granted or treated as granted under section 6(1)(a) of the Electricity Act 1989.
Generation Set	means any plant or apparatus for the production of electricity and shall where appropriate include a generation station comprising more than one generating set.
Great Britain	means the landmass of England and Wales and Scotland, including internal waters.
Grid Code	means the Grid Code required to be drawn up by the licensee pursuant to condition E3 (Grid Code), as from time to time modified in accordance with that condition.
Grid Code Administrator	A secretarial or administrative person or body, as specified in the Grid Code, to perform the role of code administrator.
Grid Code Panel	a panel body for the Grid Code, whose functions must include the matters required by condition E3 (Grid Code) and as set out in the Grid Code.
Grid Code Party	means any person who is party to the Grid Code.
Grid Code Significant Code Review Phase	means the period: <ul style="list-style-type: none"> (a) commencing either: <ul style="list-style-type: none"> (i) on the start date of a Significant Code Review as stated by the Authority; or (ii) on the date the Authority makes a Backstop Direction; and (b) ending either: <ul style="list-style-type: none"> (i) on the date on which the Authority issues a statement that no directions will be issued in relation to the Grid Code; or (ii) if no statement is made under paragraph E3.15(b) or (d), on the date on which the licensee has made a modification proposal in accordance with

	<p>directions issued by the Authority, or the Authority makes a modification proposal under paragraph E3.15(c); or</p> <p>(iii) immediately under paragraph E3.15(e), if neither a statement, a modification proposal nor directions are made by the Authority within (and including) 28 days from the Authority’s publication of its Significant Code Review conclusions; or</p> <p>(iv) if a statement has been made under paragraph E3.15(d) or a Backstop Direction has been, on the date specified in accordance with paragraph E3.16,</p> <p>of condition E3 (Grid Code).</p>
Grid Supply Point	means any point at which electricity is delivered from the National Electricity Transmission System to any Distribution System.

H

Holding Company	means a holding company within the meaning of section 1159 of the Companies Act 2006.
Housekeeping Modification	<p>means minor changes such as:</p> <p>(a) renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired;</p> <p>(b) corrections of evident mistakes including typographical errors, incorrect cross-references and formatting errors; and</p> <p>(c) updates to:</p>

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	<ul style="list-style-type: none"> (i) version numbers of other documents mentioned in the licence; (ii) the titles of re-enacted legislation; and (iii) names of bodies that have been renamed.
Housekeeping Modification Working Group	means a working group established for the purposes of considering proposed Housekeeping Modifications under condition A3 (Housekeeping licence modifications).

I

Imbalance Price	means a price, in the BSC, for charging for imbalances as referred to in paragraph E1.12(b)(ii) of condition E1 (Balancing and Settlement Code (BSC)).
Independent Challenge Panel	means a panel of energy sector stakeholders, established under condition G2 (Performance reports and assessment), to promote engagement between the licensee and stakeholders on the licensee’s performance and make recommendations to the Authority.
Independence Requirements	means the requirements set out in Part A of condition B1 (Independence Requirements and compliance obligations).
Independence Statement	means a statement of that name prepared under Part E of condition B1 (Independence Requirements and compliance obligations).
Independent System Operator and Planner (ISOP)	means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 who holds an Electricity System Operator Licence and Gas System Planner Licence.
Industry Code	means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Electricity Act 1989 or under sections 7, 7ZA, 7A, 7AA, 7AB, or 7AC of the Gas Act 1986.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Industry Readiness and Preparedness Report	means a report of that name prepared under Part E of condition C7 (Energy resilience and resilience reporting).
Information Request Notice	means a notice issued by the licensee in accordance with condition D2 (Information requests by the licensee).
Innovation Project	means a project funded by the: <ul style="list-style-type: none"> (a) RIIO-2 NIA (b) RIIO-3 NIA (c) SIF.
Interconnected System Operator	means any Authorised Electricity Operator, or any other Transmission System Operator or Distribution System Operator with whose system a Transmission Licensee's Transmission System is connected or with whom the licensee interfaces.
Interconnected TSO	means the operator of any Transmission System outside of the National Electricity Transmission System Operator Area whose Transmission System is connected to the National Electricity Transmission System by one or more Electricity Interconnectors (irrespective of the ownership of those Electricity Interconnectors).
Interconnector Developer	means a person who owns and/or operates an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Interconnector Licence	means a licence granted or treated as granted under section 6(1)(e) of the Electricity Act 1989.
Interconnector Owner	means the holder for the time being of an Interconnector Licence in relation to which licence the Authority has issued a Section G (Cap and Floor Conditions) Direction and in which Section G remains in effect (whether or not subject to any terms included in the Section G (Cap and Floor Conditions) Direction or to any subsequent variation of its terms, to which the licensee may be subject).

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Interim Connect and Manage Offer	means an offer for connection from the licensee pursuant to the interim connect and manage framework in place between May 2009 and the Connect and Manage Implementation Date.
Internal Expenditure	means the net expenditure incurred by the licensee in order to carry out the ISOP Business (excluding External Expenditure) and which is recoverable by the licensee through the term INTET in Part D of condition F1 (Expenditure and allowed revenue).
Intervention Plan	means a document or set of documents (which may be in a suitably secure electronic format) established in accordance with Part B of condition F4 (Assets and resources).
Invitation to Tender Stage	means the stage of an Onshore Transmission Tender Exercise for the licensee to determine which Qualifying Bidder is to be selected to become the Provisional Preferred Bidder in respect of that Onshore Transmission Tender Exercise.
IP Completion Day	has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.
ISOP Advice	means advice, analysis or information provided by the ISOP in accordance with section 171 of the Energy Act 2023.
ISOP Affiliate	means any Subsidiary of the licensee.
ISOP Associate	means an ISOP Affiliate or ISOP Related Undertaking in which the licensee holds shares or other investments.
ISOP Business	means any business or activities that are: (a) the ISOP's functions (as described in section 161(2) of the Energy Act 2023); (b) exercisable in connection with the ISOP's functions; and/or (c) any business or activity to which the Authority has given its consent in Writing.
ISOP Information Request Statement	means the statement prepared by the licensee and approved by the Authority in accordance with Part B of condition D2 (Information requests by the licensee).

Annex – Modifications to the Electricity System Operator Licence (Tracked)

ISOP Regulatory Asset Value	means the final amount of the regulatory asset value calculated for the licensee under the Transmission Licence it held immediately prior to the designation of the ISOP and this licence coming into effect, as calculated in line with the guidance and closeout methodologies in the NESO Financial Handbook.
ISOP Related Undertaking	means any Undertaking in which the licensee has a Participating Interest.
ISOP Working Capital Facility	means a financing agreement between Government and the ISOP to allow for short term financing of working capital requirements.

J

K

L

Late Payments	means payments required to be made by Authorised Suppliers and not received by the licensee by the due date specified in any invoice issued by the licensee in relation to same pursuant to Part B, of condition F8 (Assistance for Areas with High Distribution Costs Scheme).
Late-Model Tender Exercise	means a tender exercise which relates to a project after the completion of preliminary works, as defined in The Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024.
Leases	means the leases and associated documents entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
Legacy Revenues	means an adjustment to Balancing Services Charge to reflect outstanding revenues allowed under the version of special conditions of the Transmission Licence held by the licensee, immediately prior to the designation of the ISOP and this licence coming into effect, and which has the value specified in the NESO Financial Model.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Licence Fee Proportion	means the appropriate proportion of the costs attributable to the licensee in accordance with principles determined by the Authority for the purposes of this condition generally (after consultation with the licensee and others likely to be affected by the application of those principles) and notified to the licensee.
Licensed Distributor	means any holder of a Distribution Licence.

M

Major National Electricity Transmission System Reinforcements	has the meaning set out in the NOA methodology approved by the Authority under paragraph C13.6(a) of condition C13 (the Network Options Assessment process and reporting requirements).
Market Facilitator	means the role created by the Authority with a mandate to standardise local flexibility markets and align with national flexibility markets.
Market Facilitator Governance Framework Document	means the document of that name that is published by the Authority and amended from time to time by direction.
Market Facilitator Information (ESO Licence)	means such information to be provided by the licensee to the Market Facilitator which: (a) relates to the Transmission or Distribution System; (b) is in the possession or control of the licensee; and; (c) the Market Facilitator considers necessary for its implementation monitoring function.
Material Investments	means any action that could reasonably be considered as a commitment by the licensee to incur a level of expenditure that goes substantially beyond the typical values incurred by the licensee through its day-to-day decision-making in respect of carrying out the ISOP Business, considering also the relative size of the expenditure (over the full period of the commitment) compared to the licensee's typical level of total expenditure in a Regulatory Year. This includes but is not limited to:

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	<p>(a) expenditure on major capital projects, such as:</p> <ul style="list-style-type: none"> (i) the creation of new information technology systems; (ii) major rebuilds or upgrades to information technology systems; (iii) major renovation to existing control centres on the National Electricity Transmission System; (iv) the development of new control centres on the National Electricity Transmission System; <p>and</p> <p>(b) long term agreements for Balancing Services that commit to a substantial level of costs over multiple Regulatory Years.</p>
Maximum Revenue	means the revenue calculated in accordance with the formula set out in Part B of condition F3 (Recovery of transmission network revenues).
Meter Reading Services	means the retrieval and verification of meter reading data from gas meters, the inspection of the meter from which data is retrieved and the delivery of such data to any relevant person for the purpose of data processing, other than in relation to meter readings that a Gas Transporter obtains on its own behalf for the purpose of securing the efficient and economical physical operation of its pipeline system
Meter-Related Services	means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of National Gas Transmission, as at 01 July 2018, as defined within amended

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	standard condition 8 (Provision and Return of Meters) of National Gas Transmission plc's Transporter Licence on that date.
Minister of the Crown	has the meaning given to that term in section 8(1) of the Ministers of the Crown Act 1975.

N

National Demand	has the meaning given to the term in the Grid Code.
National Electricity Transmission System	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by Transmission Licensees, or operated by the licensee, within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any Electricity Interconnector and includes any electrical plant or meters owned or operated by any Transmission Licensee or the licensee within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity.
National Electricity Transmission System Operator Area	means the area by that name as set out in the terms of the ISOP's Electricity System Operator Licence.
National Electricity Transmission System Security and Quality of Supply Standard (SQSS)	means the security and quality of supply standard provided for in condition E7, as from time to time modified in accordance with that condition.
National Transmission System	means the National Transmission System as defined in the Uniform Network Code.
Needs Case	in the context of Developer-Associated Offshore Wider Works means the economic case for such works in the context of the benefit to be obtained or likely in the

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	future to be obtained for users of the National Electricity Transmission System.
NESO Business Plan Guidance	means the document developed and published by the Authority in accordance with Part E of condition G1(Business Plan).
NESO Financial Handbook	means the document of that name that is published by the Authority and amended from time to time by direction in accordance with the provisions of condition F5 (Financial model and handbook) of the Electricity System Operator Licence and condition F4 (Financial model and handbook) of the Gas System Planner Licence.
NESO Financial Model	means the model of that name that is published by the licensee under condition F5 (Financial model and handbook) and is represented by a workbook in Microsoft Excel® format, or other computer programming language and data as appropriate; and that is used to determine the value of the term ESOAR _t in accordance with the guidance contained in the NESO Financial Handbook.
NESO Licence Expectations Document	means the document of that name that is published by the Authority and amended from time to time by direction in accordance with the provisions of condition C1 (General principles and minimum standards) of the Electricity System Operator Licence and condition C1 (General principles and minimum standards) of the Gas System Planner Licence.
NESO-Market Facilitator Ways of Working Document	means the document of that name to establish a framework for coordination between the licensee and Market Facilitator relating to the design of the NESO Services and other matters.
NESO Performance Arrangements Governance Document	means a document developed and published by the Authority in accordance with Part B of condition G2 (Performance reports and assessment).

Annex – Modifications to the Electricity System Operator Licence (Tracked)

NESO Services	means the services which are deemed to be in scope of the role of the Market Facilitator as set out in the Market Facilitator Governance Framework Document.
Network Access Policy (NAP)	means a policy to facilitate efficient performance and effective liaison between the licensee and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers.
Network Innovation Interested Parties	include, but are not limited to: the Engineering and Physical Sciences Research Council; the Department for Energy Security and Net Zero; Innovate UK and their successor bodies; a Transmission Licensee or a Licensed Distributor not regulated through the RIIO model.
Network Need	has the meaning given to that term in the Criteria Regulations.
Network Operator	has the meaning given to that term in the Grid Code.
Network Options Assessment (NOA)	means the network planning processes and publications described in condition C13 (The Network Options Assessment (NOA) process and reporting requirements).
NIA	means the network innovation allowance provided by condition F2 (Innovation funding).
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part G of condition F2 (Innovation funding) of this licence in force on 31 March 2026.
NOA Process	means the process set out in Parts A through D of condition C13 (The Network Options Assessment (NOA) process and reporting requirements).
Non Developer Associated Offshore Wider Works	means Offshore Wider Works which a person seeking connection under condition E12 (Requirement to offer terms) will not be responsible for undertaking as part of the terms of any offer, agreement or

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	variation made pursuant to that condition, including any Preliminary Works.
Notice of Remediation	means a direction issued by the Authority pursuant to Part H of condition C1 (General principles and minimum standards).
NTS System Operation Activity	has the meaning given to that term in National Gas Transmission Plc's Transporter Licence special condition 1.1 (Interpretation and definitions).

0

Offshore Transmission	has the meaning given at section 6F of the Electricity Act 1989.
Offshore Transmission Owner	means a Transmission Licensee to which the Authority has issued a Transmission Licence Section E (offshore transmission owner standard conditions) Direction and where Section E of the Transmission Licence remains in effect (whether or not subject to any terms included in a Transmission Licence Section E (offshore transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the Transmission Licensee may be subject).
Offshore Transmission System	means a Transmission System that is used for purposes connected with Offshore Transmission.
Offshore Waters	has the meaning given in the Electricity Act 1989.
Offshore Wider Works	means works associated with Offshore Transmission identified by the licensee that are designed to reinforce or extend the National Electricity Transmission System for the benefit of multiple parties, both onshore and offshore and including generation and demand.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

<p><u>Onshore Competition Information Exchange Guidance</u></p>	<p>means the document of that name issued by the Authority in accordance with Part B of Special Condition 9.20 (Tender Support Activities in onshore electricity transmission) of the relevant Transmission Owner's Transmission Licence and referred to in Part E of Condition C18 of this licence.</p>
<p><u>Onshore Competition Information Exchange Process</u></p>	<p>means the process of sharing information during an Onshore Transmission Tender Exercise in accordance with the Onshore Competition Information Exchange Guidance.</p>
<p><u>Onshore Transmission Tender Exercise</u></p>	<p>has the meaning given in Regulation 2 of the Tender Regulations.</p>
<p>Operational Services</p>	<p>means the operational services contracted to be provided to or from, the licensee under the Operational Services Agreement.</p>
<p>Operational Services Agreement</p>	<p>means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.</p>
<p>OSA Notice</p>	<p>means an Operational Services Agreement notice issued to the licensee by the Authority to the effect that Part C of condition B1 (Requirements and compliance obligations) has been satisfied and no longer applies.</p>
<p>Outage Change</p>	<p>means a change notified to Transmission Owners, Offshore Transmission Owners or any successor company to each, by the licensee to the Outage Plan on or after Week 49, as updated from time to time in accordance with the STC, other than:</p> <ul style="list-style-type: none"> (a) a change to the Outage Plan requested by Transmission Owners, Offshore Transmission Owners or any successor company to each (the “original change”); and

	<p>(b) such changes notified to Transmission Owners, Offshore Transmission Owners or any successor company to each by the licensee which:</p> <ul style="list-style-type: none"> (i) the licensee and Transmission Owners, Offshore Transmission Owners or any successor company to each agree are necessary in order to give effect to the original change; or (ii) where there is a failure to agree, the Authority determines are necessary in order to give effect to the original change, and <p>(c) without prejudice to subparagraphs (a) and (b) above, any change to the Outage Plan notified to Transmission Owners, Offshore Transmission Owners or any successor company to each by the licensee which the licensee and the Transmission Owner or Offshore Transmission Owner agree is not an Outage Change under this licence condition (a “non-chargeable outage change”).</p>
Outage Plan	has the meaning given to that term in the STC.

P

p/kWh	means pence per kilowatt hour.
Participating Interest	has the meaning given in section 421A of the Financial Services and Markets Act 2000.
Party Entry Processes	means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Peak National Demand	means the outturn peak National Demand adjusted in accordance with the Weather Correction Methodology.
Peak National Demand Forecast	means the one-year or four-year ahead forecast of Peak National Demand that is associated with the licensee’s Peak System Demand Forecast and estimate of capacity to meet that Peak System Demand Forecast in the Electricity Capacity Report.
Peak System Demand Forecast	means the forecast in the Electricity Capacity Report of peak demand across the Total Electricity System met by all forms of generation; which includes forecasts of Peak National Demand, peak demand met by distributed generation and peak demand reduction by Demand Side Response.
Performance-Related Pay	means any pay awarded to employees of the licensee which is additional to an employee’s fixed base salary, and which is variable depending on the performance of the employee.
Permitted Administration Fee	the amount the licensee is permitted to raise and retain for administering the mechanism contained in condition E14 (Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations).
Permitted Purpose	means the purpose of: <ul style="list-style-type: none"> (a) carrying out the ISOP Business, or any business or activity within the limits of condition B2 (Restriction on activity and financial ringfencing); or (b) any other business or activity to which the Authority has given its specific consent to in Writing.
Plan Determination	means the document published by the Authority, in accordance with Part D of condition G1, setting out the Authority’s determination in relation to the Business Plan for the period covered by the Business Plan submission.

<p>Potential Conflict Party</p>	<p>means any party whose interests might be affected or favoured by the activities and decisions of the ISOP such that it might reasonably be viewed that the ISOP (or its personnel) could have a conflict of interest in relation to those activities or those decisions by virtue of a connection or relationship with that party. This may include:</p> <ul style="list-style-type: none"> (a) a Regulated Person; (b) Holding Company of a Regulated Person; (c) trade association of Regulated Persons or shareholder with significant control of a Regulated Person; or (d) material or prospective material supplier or service provider to the ISOP where a reasonable concern about conflict might arise. <p>This includes parties that hold a licence or exemption granted by or within the enforcement jurisdiction of the Authority. It excludes government bodies (except where that government body is, or carries on the functions of a Regulated Person, in which case the government body shall not be excluded).</p>
<p>Preliminary Works</p>	<p>in the context of Developer-Associated Offshore Wider Works and Non Developer Associated Offshore Wider Works has the meaning given to it in regulations made by the Authority under section 6C of the Electricity Act 1989.</p>
<p>Procurement Guidelines Statement</p>	<p>means a statement prepared and published by the licensee in accordance with Part D of condition C9 (Design, procurement and use of Balancing Services).</p>
<p>Project Designation Methodology</p>	<p>means the document issued by the ISOP and approved by the Authority in accordance with Condition C17 (Project Designation Methodology) of the Electricity System Operator Licence.</p>

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Provisional Preferred Bidder	has the meaning given in Regulation 2 of the Tender Regulations.
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Q

Qualifying Bidder	has the meaning given in Regulation 2 of the Tender Regulations.
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R

RAV Returns	mean revenues collected on behalf of the Secretary of State in relation to the cost of capital and depreciation of the ISOP Regulatory Asset Value.
Reference Variable Rate	the variable rate of interest, as set out in the NESO Financial Handbook, that is set as the benchmark rate or reference rate for the ISOP Working Capital Facility.
Regulated Person	as the context requires, has the meaning given to that term in the Gas Act 1986 or the Electricity Act 1989.
Regulatory Year	means a period of 12 months commencing on 1 April.
Related Undertaking	means any Undertaking of a person, where that person has a Participating Interest.
Relevant Agreement	means an agreement in respect of which paragraph 3 of standard condition 10C of the licensee's Transmission Licence, as such applied immediately prior to 18 September 2001 had effect.
Relevant Asset	means any asset for the time being forming part of the National Electricity Transmission System, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of

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	the licensee relating to the occupation, use or acquisition of such property).
Relevant Balancing Services	means Balancing Services other than: (a) those which the licensee has acquired through the mere acceptance of an offer or bid in the Balancing Mechanism, provided that such offer or bid was not made pursuant to any prior agreement, and (b) those which the Authority directs the licensee not to treat as Relevant Balancing Services.
Relevant Code	means, as the context requires: (a) the Grid Code; (b) the Balancing and Settlement Code; (c) the Connection and Use of System Code; or (d) the System Operator - Transmission Owner Code.
Relevant Code Administrator	means, as the context requires: (a) the Grid Code Administrator; (b) the BSC Code Administrator; (c) the CUSC Code Administrator; or (d) the STC Code Administrator.
Relevant Code Panel	means, as the context requires: (a) the Grid Code Panel; (b) the BSC Panel; (c) the CUSC Panel; or (d) the STC Panel.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Relevant Code Party	means, as the context requires: (a) Grid Code Party; (b) BSC Party; (c) CUSC Party; or (d) STC Party.
Relevant Distributor	has the same meaning as in section 184 of the Energy Act 2004 where the relevant Distribution System is located in the Specified Area.
Relevant Legally Binding Decision of the European Commission and/or the Agency	means any relevant legally binding decision or decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so much of a decision as is not, Assimilated Law.
Relevant Licence Conditions	means Parts C to F of condition F1 (Expenditure and allowed revenue), together with such of the conditions of this licence as are ancillary to the operation of the provisions of Parts C to F of condition F1 to which a Disapplication Request under condition F9 (Disapplication and suspension of Relevant Licence Conditions) relates; and condition F3 (Recovery of transmission network revenues), together with such of the conditions of this licence as are ancillary to the operation of the provisions of condition F3 to which a Disapplication Request under condition F9 (Disapplication and suspension of Relevant Licence Conditions) relates.
Relevant Network Licensee	means a Transmission Licensee with condition B16 in effect in its Transmission Licence, the ISOP, or a Licensed Distributor with condition 48A in effect in its Distribution Licence.
Relevant Offshore Agreement	means an agreement between an Existing Offshore Generator and the licensee for connection to and/or use of the National Electricity Transmission System or an agreement between an Existing Offshore Generator and a Licensed Distributor for connection to its Distribution System.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Relevant Year	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
Remediation Plan	means a plan developed by the licensee that meets the requirements of a Notice of Remediation issued by the Authority pursuant to Part H of condition C1 (General principles and minimum standards).
Remuneration Policy	means the remuneration policy described in Part B of condition F7 (Remuneration Policy and Expenses Policy).
Renewable Energy Zone	means an area designated by Order in Council under section 84(4) of the Energy Act 2004.
Restoration Approach	means the method by which the licensee will restore the National Electricity Transmission System in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
Restoration Services	means services procured by the licensee and used to re-energise the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
Restoration Times	means the time it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
RIIO Gas Distribution Licensee	means Cadent Gas Ltd, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Ltd or any relevant successor companies.
RIIO Electricity Transmission Licensee	means National Grid Electricity Transmission Plc, Scottish Hydro Electric Transmission Plc, and SP Transmission Plc.
RIIO-2 NIA	means the arrangements established by parts A to C of condition F2 (Innovation Funding) of this licence as in force on 31 March 2026, and the equivalent conditions in the licences of network companies regulated under the RIIO-2 price control.

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RIIO-2 NIA Governance Document	means the document issued by the Authority in accordance with Part C of condition F2 (Innovation Funding) as in force on 31 March 2026.
RIIO-2 NIA Projects	means those projects undertaken by the licensee that satisfy such requirements of the RIIO-2 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of condition F2 (Innovation funding).
RIIO-3 NIA	means the arrangements established by parts A to D of condition F2 (Innovation Funding) and the equivalent conditions in the licences of network companies regulated under the RIIO-3 price control.
RIIO-3 NIA Governance Document	means the document issued by the Authority in accordance with Part D of condition F2 (Innovation Funding).
RIIO-3 NIA Projects	means those projects undertaken by the licensee that satisfy such requirements of the RIIO-3 NIA Governance Document as are necessary to enable the projects to be funded under the provisions of condition F2 (Innovation funding).

S

Security Period	for the purposes of Part F of condition F9 (Disapplication and suspension of Relevant Licence Conditions) means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Electricity Act 1989 enters into effect and terminating on such date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.
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Self-Governance Criteria	means a proposal that, if implemented, (a) is unlikely to have a material effect on: (i) existing or future electricity consumers; and (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and (iii) the operation of the National Electricity Transmission System; and (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and (v) the relevant Industry Code's governance procedures or modification procedures, and (b) is unlikely to discriminate between different classes of Relevant Code Parties.
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<p>Self-Governance Statement</p>	<p>means the statement made by the Relevant Code Panel:</p> <ul style="list-style-type: none"> (a) confirming that, in its opinion, the Self-Governance Criteria are met and the modification is suitable for the self-governance route; and (b) providing a detailed explanation of the Relevant Code Panel's reasons for that opinion. <p>and submitted to the Authority in accordance with:</p> <ul style="list-style-type: none"> (i) for the purposes of condition E2 Connection and Use of System Code only paragraph E2.11(a)(i); (ii) for the purposes of condition E3 Grid Code only paragraph E3.10(a)(i); (iii) for the purposes of condition E1 Balancing and Settlement Code only paragraph E1.19(a)(i); and (iv) for the purposes of condition E4 System Operator - Transmission Owner Code only paragraph E4.9(a)(i).
<p>Shetland AAHDCS Tariff</p>	<p>means the tariff calculated in accordance with Part B, paragraph F8.10 (Assistance for areas with High Distribution Costs Scheme).</p>
<p>Shetland Assistance Amount</p>	<p>means the amount payable by the licensee to a Relevant Distributor in any Relevant Year made pursuant to Part C, paragraph F8.19 (Assistance for Areas with High Distribution Costs Scheme) and with the value specified in or calculated in accordance with Part A, paragraph F8.4 (Assistance for Areas with High Distribution Costs Scheme).</p>

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Shortfall Direction	<p>means a direction issued by the Secretary of State for the purpose of meeting any “relevant debt”, within the meaning given to those words:</p> <ul style="list-style-type: none"> (a) in relation to energy administration, in section 169(4) of the Energy Act 2004; (b) in relation to energy supply company administration, section 99 (4) of the Energy Act 2011; (c) in relation to smart meter communication licensee administration, in section 7(4) of the Smart Meters Act 2018, (including (A) any modifications to such direction made by any subsequent Shortfall Direction, or (B) any Shortfall Direction replacing a previous Shortfall Direction).
Shortfall Payment Recipient	<p>the persons to whom the amount to be raised by the licensee and applied in making good the shortfall is to be paid.</p>
SIF	<p>means the strategic innovation fund established by condition F2 (Innovation funding).</p>
SIF Directly Attributable Costs	<p>means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor that have not been otherwise remunerated through Transmission Network Charges, Directly Remunerated Services for any Transmission Licensee or Licenced Distributor (as defined in the special conditions of those licences), or the SIF Funding Mechanism.</p>
SIF Disallowed Expenditure	<p>means revenue received, whether by the licensee or Transmission Licensee or by a Licensed Distributor, under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions</p>

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Funding	means the total amount of funding authorised by the Authority for the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF, in accordance with the provisions of the SIF Governance Document, for the purpose of funding the administration of the SIF and Eligible SIF Projects.
SIF Funding Mechanism	means the mechanism by which the licensee recovers the amount of authorised SIF Funding in any Regulatory Year and apportions that amount between the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF as appropriate in accordance with the SIF Governance Document.
SIF Funding Return	means the total amount, in respect of the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for the recovery from the licensee, from Transmission Licensees, Licensed Distributors and any body administering the SIF, in each case 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; (d) SIF Returned Project Revenues; and (e) funds for administering the SIF.
SIF Governance Document	means the document issued by the Authority under Part F of condition F2 (Innovation funding).
SIF Halted Project Revenues	means revenues received, whether by the licensee or any Transmission Licensee or

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	by a Licensed Distributor 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 Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: <ul style="list-style-type: none"> (a) revenues received, whether by the licensee or any Transmission Licensee or by a Licensed Distributor 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, whether undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor other than SIF Returned Royalty Income, that the Authority determines are payable to customers.
SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding

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	<p>Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.</p>
<p>Significant Code Review</p>	<p>means a review of one or more matters which the Authority considers is likely to:</p> <ul style="list-style-type: none"> (a) relate to the relevant Industry Code (either on its own or in conjunction with other Industry Codes); and (b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act 1989), statutory functions and/or relevant obligations arising under Assimilated Law, and concerning which the Authority has issued a notice to the Relevant Code Parties (among others, as appropriate) stating: <ul style="list-style-type: none"> (i) that the review will constitute a Significant Code Review; (ii) the start date of the Significant Code Review; and (iii) the matters that will fall within the scope of the review.
<p>Significant Code Review Direction</p>	<p>means direction(s) issued following publication of Significant Code Review conclusions which shall contain:</p> <ul style="list-style-type: none"> (a) instructions to the licensee to make (and not withdraw, without the Authority’s prior consent) a modification proposal; (b) the timetable for the licensee to comply with the Authority’s direction(s); and

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	(c) the Authority’s reasons for its direction(s).
Site-Specific Charges	means charges as defined in Schedule 10 of the STC.
Small Participant	means <ul style="list-style-type: none"> (a) an Electricity Generator, Authorised Supplier, Authorised Distributor, or new entrant to the electricity market in Great Britain that can demonstrate to the Relevant Code Administrator that it is resource-constrained and, therefore, in particular need of assistance; (b) any other participant class of participant that the Relevant Code Administrator considers to be in particular need of assistance; and (c) a participant or class of participant that the Authority has notified to the Relevant Code Administrator as being in particular need of assistance.
SO Bad Debt	means the expense incurred by the licensee when Balancing Services Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
SO:TO Optimisation Governance Document	means the document issued by the Authority under Part A of condition E8 (SO-TO Optimisation Governance).
SO-TO Optimisation Report	means a document prepared and published by the licensee in accordance with Part B of condition E8 (SO-TO optimisation governance).

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SO-TO Optimisation Solutions	has the meaning given to that term in the SO:TO Optimisation Governance Document.
SO-TO Commercial Threshold	Means a financial value of £1,900,000 in 2018/19 prices (inflated according to the indexation methodology in the NESO Financial Handbook) or another value directed by the Authority.
Specified Area	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
STC Code Administrator	A secretarial or administrative person or body, as specified in the STC, to perform the role of code administrator.
STC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the STC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.
STC Panel	a panel body for the STC, whose functions must include the matters required by condition E4 (System Operator – Transmission Owner Code) and as set out in the STC.
STC Party	means a party or parties to the STC Framework Agreement.
STC Procedures	means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.
STC Significant Code Review Phase	means the period: <ul style="list-style-type: none"> (a) commencing either: <ul style="list-style-type: none"> (i) on the start date of a Significant Code Review as stated by the Authority; or (ii) on the date the Authority makes a Backstop Direction; and (b) ending either: <ul style="list-style-type: none"> (i) on the date on which the Authority issues a

	<p>statement under paragraph E4.15(b) that no directions will be issued in relation to the STC; or</p> <p>(ii) if no statement is made under paragraph E4.15(b) or (d), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under paragraph E4.15(a), or the Authority makes a modification proposal under paragraph E4.15(c); or</p> <p>(iii) immediately under paragraph E4.15(e), if neither a statement, a modification proposal, nor directions are made by the Authority within (and including) 28 days from the Authority’s publication of its Significant Code Review conclusions; or</p> <p>(iv) if a statement has been made under paragraph E4.15(d) or a Backstop Direction has been made, on the date specified in accordance with paragraph E4.16 of condition E4 (System Operator - Transmission Owner Code).</p>
Strategic Aims	<p>means a document which:</p> <p>(a) sets out the medium to long term outcomes and impacts the licensee is aiming to achieve;</p>

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	<p>(b) explains the licensee’s strategy for delivering those outcomes and impacts; and</p> <p>(c) meets other relevant requirements in the NESO Business Plan Guidance.</p>
Strategic Plan	means the system plan that the Secretary of State has notified to the licensee (and the Authority) from time to time as containing the capacity ranges or pathways that the ISOP is permitted to rely upon as the basis for connections when developing, reviewing and implementing its Connections Methodologies.
Strategic Innovation Fund (SIF)	means the strategic innovation fund established by condition F2 (Innovation funding).
Strategic Spatial Energy Plan (SSEP)	means the supply and demand pathway for Great Britain, which is prepared by the licensee in line with objectives and scope defined in the Commission.
Strategic Spatial Energy Plan Methodology (SSEP Methodology)	means the document of that name, published on the licensee’s website, that sets out methodologies to create the SSEP developed by the licensee and approved by the Secretary of State and the Authority.
Strategy and Policy Statement	means the statement for the time being designated under section 131(1) of the Energy Act 2013.
Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006.
Sufficiently Independent Director	means a director appointed by the licensee who meets the requirements set out in Part B of condition B1 (Independence requirements and compliance obligations).
Supplier	has the meaning given to that term in the Grid Code.

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System Management	means: (a) the licensee’s management of Transmission Constraints; (b) the licensee’s management of Adverse Effects on the National Electricity Transmission System arising from changes in electrical flows over any Electricity Interconnector which are not the result of actions taken by an Interconnected TSO; and (c) actions by any Interconnected TSO which have an effect on the National Electricity Transmission System.
System Management Action Flagging Methodology	means a methodology to be used by the licensee which, in the licensee’s opinion, will enable it to use reasonable endeavours to identify those Balancing Services which the BSC requires it to identify as relating to System Management.
System Operator - Transmission Owner Code (STC)	means the document required to be in place pursuant to condition E4 (System Operator – Transmission Owner Code (STC)) as from time to time modified in accordance with that condition.
System Resilience	means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity.

T

Tender Documentation	has the meaning given in Regulation 2 of the Tender Regulations.
Tender Regulations	means the Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025.

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TO Offer	means an offer made by a STC Party to enter into an agreement with the licensee; (a) pursuant to standard condition D4A (Obligations in relation to offers for connection etc) of the Transmission Licence or condition C11 (Requirements of a Connect and Manage Connection); or (b) pursuant to standard condition E17 (Obligations in relation to offers for connection etc) of the Transmission Licence; or (c) pursuant to the STC.
Total CNIA Expenditure (ECNIAt)	means the amount of expenditure spent or accrued by the licensee after 1 April 2026 in respect of Eligible CNIA Projects.
Total Cost Allocation Methodology	means the methodology established by the licensee under Part B of condition F1 (Expenditure and allowed revenue) to allocate its total expenditure as either Electricity Licence Expenditure or Gas Licence Expenditure.
Total Costs	means the total costs associated with the provision of Balancing Services. In the case of Restoration Services, this includes, payments for feasibility study costs, procuring the services from parties, capital contributions, testing, warming and utilising.
Total Electricity System	means the National Electricity Transmission System and the Distribution Systems of all Authorised Electricity Operators which are located in the National Electricity Transmission System Operator Area.
Total NIA Expenditure	means expenditure by the licensee on RIIO-3 NIA Projects which satisfies the requirements of the RIIO-3 NIA Governance Document and condition F2 (Innovation Funding).

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Total Scheme Amount	means the maximum allowable revenue of the licensee in relation to the AAHDCS with the value specified in or as calculated in accordance with Part A, paragraph F8.2 of condition F8(Assistance for Areas with High Distribution Costs Scheme).
Transitional Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
Transitional Services	means the transitional services contracted to be provided to the licensee under the Transitional Services Agreement.
Transmission Area	has the meaning given to that term in the relevant Transmission Licensee's special licence conditions.
Transmission Business	means the authorised business of a Transmission Licensee or any Affiliate or Related Undertaking in the planning or development or construction or operation or maintenance of the relevant licensee's Transmission System or the National Electricity Transmission System or the provision of Transmission Services (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Electricity Act 1989), but must not include any other business of the Transmission Licensee or any Affiliate or Related Undertaking in the provision of services to or on behalf of any one or more persons.
Transmission Constraint	means any limit on the ability of the National Electricity Transmission System, or any part of it, to transmit the power supplied onto the National Electricity Transmission System to the location where the demand for that power is situated, such limit arising as a result of any one or more of: <ul style="list-style-type: none"> (a) the need not to exceed the thermal rating of any asset forming part of the National Electricity Transmission System;

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	<p>(b) the need to maintain voltages on the National Electricity Transmission System; and</p> <p>(c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the National Electricity Transmission System.</p> <p>and used by the licensee to operate the National Electricity Transmission System in accordance with the National Electricity Transmission System security and quality of supply standard referred to in condition E7 (Transmission system security standard and quality of service) or any other provision of the Electricity Act 1989, this licence or any other requirement of law.</p>
Transmission Constraint Costs	means those costs resulting from the licensee’s management of Transmission Constraints.
Transmission Entry Capacity	has the meaning given to that term in the CUSC.
Transmission Licence	means a licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
Transmission Licence Section D (transmission owner standard conditions) Direction	means a direction issued by the Authority in accordance with standard condition A3 (Application of Section D) of the Transmission Licence.
Transmission Licence Section E (offshore transmission owner standard conditions) Direction	means a direction issued by the Authority in accordance with standard condition A6 (Application of Section E) of the Transmission Licence.
Transmission Licensee	means a person who holds a Transmission Licence.
Transmission Losses	means the units of electricity unaccounted for on the National Electricity Transmission System as allocated in accordance with the BSC and The Energy Market Investigation (Electricity Transmission Losses) Order 2016.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Transmission Losses Principle	means the principle that the licensee must ensure at all times that the costs of Transmission Losses are recovered from users of the National Electricity Transmission System in a manner which is sensitive to the relative impact on Transmission Losses of changes to each user's power flow as a result of their location on the National Electricity Transmission System.
Transmission Network Charges	means charges levied by the licensee in respect of the provision of Transmission Network Services.
Transmission Network Revenue	means the revenue received by the licensee via Transmission Network Use of System Charges as per Section 14 of the CUSC.
Transmission Network Services	means all services provided by a Transmission Licensee as part of the Transmission Business other than excluded services.
Transmission Network Use of System Charges	has the meaning given to that term in the CUSC Section 14.14.
Transmission Owner	means a Transmission Licensee to which the Authority has issued a Transmission Licence Section D (transmission owner standard conditions) Direction and where the Transmission Licence Section D Direction remains in effect (whether or not subject to any terms included in a Transmission Licence Section D Direction or to any subsequent variation of its terms to which the Transmission Licensee may be subject).
Transmission Owner Final Sums	has the meaning given to that term in Schedule 9 of the STC.
Transmission Reinforcement Works	means those works defined in the Construction Agreement which are necessary to extend or reinforce the National Electricity Transmission System to ensure that it would comply with the requirements of condition E7 (Transmission System security standard and quality of service) if no Connect and Manage Derogation were in place.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Transmission Services	means those services which are provided or are to be provided to the licensee by a Transmission Licensee pursuant to standard condition D2 or E15 (Obligation to provide transmission services) of the Transmission Licence.
Transmission System	means those parts of the National Electricity Transmission System which are: a) owned by a Transmission Owner within its Transmission Area; or b) operated by the Electricity System Operator.
Transmission System Operator	means a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the Transmission System in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transmission of electricity.
Transporter Licence	means a licence granted or treated as granted under section 7 of the Gas Act 1986.
TSA Notice	means a Transitional Services Agreement notice issued to the licensee by the Authority to the effect that Part D of condition B1 has been satisfied and no longer applies.

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Undertaking	means an undertaking within the meaning of section 1161 of the Companies Act 2006.
Uniform Network Code	has the meaning given to that term in the Transporter Licence Standard Special condition A3 (Definitions and Interpretation).
Units of Electricity Supplied	means the amount of electricity, expressed in kWh, supplied to premises (cognate expressions being construed accordingly); and, for the avoidance of doubt, in calculating that amount any export of electricity from those premises is to be disregarded.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Use of System	means use of the National Electricity Transmission System for the transport of electricity by any Authorised Electricity Operator.
Use of System Charges	means charges made or levied or to be made or levied by the licensee for the provision of Transmission Network Services and/or the Balancing Services Charges, to any Authorised Electricity Operator, but shall not include Connection Charges.
Use of System Charging Methodology	means the principles on which, and the methods by which, for the purposes of achieving the Use of System Charging Objectives, Use of System Charges are determined.
Use of System Charging Objectives	<p>means the following objectives:</p> <ul style="list-style-type: none"> (d) that compliance with the Use of System Charging Methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity; (e) that compliance with the Use of System Charging Methodology results in charges that reflect, as far as is reasonably practicable, the costs (excluding any payments between the licensee and Transmission Licensees that are made under and in accordance with the System Operator – Transmission Owner Code (STC)) incurred by Transmission Licensees in their Transmission Businesses, and that are compatible with condition C11 (Requirements of a Connect and Manage Connection); (f) that, so far as is consistent with (a) and (b), and is

Annex – Modifications to the Electricity System Operator Licence (Tracked)

	<p>reasonably practicable, the Use of System Charging Methodology properly takes account of the developments in Transmission Licensees’ Transmission Businesses and the ISOP Business;</p> <p>(g) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and</p> <p>(h) promoting efficiency in the implementation and administration of the Use of System Charging Methodology.</p>
Use of System Charging Statement	means, collectively, the statement of the Use of System Charging Methodology prepared under paragraph E10.3(a) of condition E10 (Use of System charging and methodology), and a statement of Use of System Charges under paragraph E10.3(b) of condition E10.
User System	has the meaning given to that term in the Grid Code.

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Weather Correction Methodology	means the methodology used by the licensee at the time a Peak National Demand Forecast was produced to correct the associated outturn Peak National Demand to Annual Average Cold Spell Conditions.
Week 49	has the meaning given to that term in the STC.
Wholly New	has the meaning given to that term in the Criteria Regulations.

Annex – Modifications to the Electricity System Operator Licence (Tracked)

Wider Works	means those Transmission Reinforcement Works which are not required to be completed prior to the Connection Date but are necessary to reinforce or extend the National Electricity Transmission System to make it compliant with the terms of the National Electricity Transmission System security and quality of supply standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply in accordance with condition E7 (Transmission system security standard and quality of service)), where such works are defined in the manner provided for in the CUSC and identified in the Construction Agreement.
Working Day	means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the United Kingdom.
Writing	includes writing that is sent or received by means of a public electronic communications network within the meaning given to that term in section 151 of the Communications Act 2003, and "Written" should be construed accordingly.

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Zero Carbon Energy System	means a whole energy system that is compatible with the net zero carbon target as set out in the Climate Change Act 2008.
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Section C: Strategic and operational functions

Condition C18 Onshore Transmission Tender Exercises

C18.1. The purpose of this condition is to set out the obligations with which the licensee must comply when conducting an Onshore Transmission Tender Exercise.

Part A: Licensee's obligations under this condition

C18.2. The licensee must comply with all provisions of the Tender Regulations.

C18.3. The licensee must conduct an Onshore Transmission Tender Exercise in an efficient and effective manner, in accordance with Part B.

C18.4. The licensee must submit any Tender Documentation for approval by the Authority, in accordance with Part C.

C18.5. The licensee must provide information for Bidders to prepare their bids, in accordance with Part D.

C18.6. The licensee must comply with the Onshore Competition Information Exchange Guidance, in accordance with Part E.

C18.7. The licensee must act in accordance with any published guidance, notice, decision, direction, or any other information or instruction issued by the Authority, in accordance with the provisions of the Tender Regulations.

Part B: The conduct and review of Onshore Transmission Tender Exercises

C18.8. When carrying out an Onshore Transmission Tender Exercise, the licensee must execute its functions in respect to that Onshore Transmission Tender Exercise in an effective and efficient manner.

C18.9. In complying with C18.8 the licensee must:

- (a) run any Onshore Transmission Tender Exercise as efficiently as possible, based on all relevant information available to it at the time; and
- (b) ensure an Onshore Transmission Tender Exercise is subject to transparent, non-discriminatory procedures in accordance with the Tender Regulations and any associated guidance documents published or updated by the Authority from time to time.

C18.10. In complying with C18.9(b) the licensee must:

- (a) provide to Bidders any relevant information pertaining to an Onshore Transmission Tender Exercise in accordance with the Tender Regulations;
- (b) identify, assess and mitigate any conflict of interest concerning persons involved in an Onshore Transmission Tender Exercise in accordance with the Tender Regulations; and
- (c) implement any agreed recommendations or outcomes of any review conducted by the Authority, or another person appointed by the Authority of:
 - (i) the conduct of an Onshore Transmission Tender Exercise; or

- (ii) the implementation of any other functions conferred upon it by the Tender Regulations.

C18.11. When making a request to the Authority to commence an Onshore Transmission Tender Exercise in accordance with the Tender Regulations, the licensee must ensure that its assessment, as to how the project has met the consumer benefit criterion set out in the Criteria Regulations, is based on the cost-benefit analysis methodology most recently decided upon by the Authority and up-to-date input data in compliance with paragraph C18.9(a).

Part C: Submission of Onshore Transmission Tender Exercise documents for approval by the Authority

~~C18.11.~~**C18.12.** Subject to paragraph C18.13, the licensee must, in accordance with the Tender Regulations and associated guidance, submit any Tender Documentation for approval by the Authority.

~~C18.12.~~**C18.13.** Tender Documentation must be submitted by the licensee no later than the date specified by the Authority for submission of that Tender Documentation .

Part D: Provision of information to Bidders

~~C18.13.~~**C18.14.** Subject to paragraph C18.16, the licensee must provide to Bidders any information reasonably necessary to enable a Bidder to identify and evaluate an Onshore Transmission Tender Exercise, including (but not limited to):

- (a) Tender Documentation, which it has compiled into a tender pack and includes technical specifications; and
- (b) where the Bidder is a Qualifying Bidder, information the licensee has received from a Transmission Owner in response to a request for information made under paragraph C18.15(b) or (c).

~~C18.14.~~**C18.15.** Subject to paragraph C18.16, in respect to information held by Transmission Owners, for the purposes of an Onshore Transmission Tender Exercise, the licensee may request information from a Transmission Owner in the following circumstances:

- (a) The licensee may request information relating to the Transmission Owner's Transmission Area as is reasonably required to prepare the Tender Documentation.
- (b) The licensee may request information during the Invitation to Tender Stage in accordance with the information request template provided in the Onshore Competition Information Exchange Guidance.
- (c) The licensee may make other reasonable requests for information outside of those requested under C18.15(a) and (b).

~~C18.15~~C18.16. Any information provided to Bidders in pursuance of this condition or any information requested under paragraph C18.15 must be in accordance with the obligations and arrangements set out in the Tender Regulations, the Onshore Competition Information Exchange Guidance, any relevant confidentiality agreement to which the licensee, Transmission Owners and Qualifying Bidders are parties, and this condition.

C18.17. Subject to paragraph C18.16, the licensee must ensure that any information received from Transmission Owners pursuant to C18.15, which it provides to Bidders pursuant to its obligation under C18.14, shall not be altered, amended, or changed in such a way as to affect its integrity without prior notice to the relevant Transmission Owner.

~~C18.16~~C18.18. Where it has proposed to conduct an Onshore Transmission Tender Exercise, the licensee must request Transmission Owner participation in the Onshore Competition Information Exchange Process in accordance with the Onshore Competition Information Exchange Guidance.

~~C18.17~~C18.19. If the licensee receives a dispute on one of its requests for information from a Transmission Owner under paragraph C18.15 the licensee must seek to resolve all such matters in the first instance under the dispute process as set out in the Onshore Competition Information Exchange Guidance.

~~C18.18~~C18.20. The licensee may, where appropriate, request a Transmission Owner to facilitate a site visit for Qualifying Bidders in accordance with the Onshore Competition Information Exchange Guidance.

Part E: Onshore Competition Information Exchange Guidance

~~C18.19~~C18.21. The licensee must comply with the Onshore Competition Information Exchange Guidance.

~~C18.20~~C18.22. The Authority will issue and amend the Onshore Competition Information Exchange Guidance from time to time.

~~C18.21~~C18.23. The Authority will publish the Onshore Competition Information Exchange Guidance on its website.

~~C18.22~~C18.24. Before issuing the Onshore Competition Information Exchange Guidance, the Authority will publish on its website:

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

~~C18.23~~.C18.25. Before directing an amendment to the Onshore Competition Information Exchange Guidance, the Authority will publish on its website:

- (a) the text of the amended Onshore Competition Information Exchange Guidance;
- (b) the date on which the Authority intends the amended Onshore Competition Information Exchange Guidance will take effect;
- (c) the reasons for the amendments to the Onshore Competition Information Exchange Guidance; and
- (d) a period during which representations on the amendments to the Onshore Competition Information Exchange Guidance may be made, which will not be less than 28 days