

**To:**  
**Scottish Hydro Electric Transmission**  
**Scottish Power Transmission**  
**National Grid Electricity Transmission**

**Direction to approve modifications to the Network Asset Risk Metric (NARM) Methodology under Special Condition (SpC) 9.2 of the Electricity Transmission Licences held by the Transmission Owners**

1. Each of the licensees to whom this document is addressed is the holder of an electricity transmission licence ('the Licence') granted or treated as granted under section 6 (1)(b) of the Electricity Act 1989 ('the Act').
2. The Licensee has in place a NARM Methodology in accordance with Special Condition 9.2 of its Electricity Transmission Licence.
3. Between March 2023 and August 2024, the Licensee published proposed modifications for consultation with other Network Licensees<sup>1</sup> and with any other interested parties. The consultation closed following, a period of 28 days in compliance with SpC 9.2.8(a).
4. The Licensee then submitted its proposed modified NARM Methodology to the Authority for approval along with other documentation required under SpC 9.2.8(b) to 9.2.8(i).
5. The Authority reviewed the Licensee's submissions, and on 20 February 2026 published a consultation on its minded-to decision to approve the Licensee's modified NARM Methodology, providing reasons for its minded-to decision in Chapter 3 of the consultation document
6. The Authority received five responses during the 28-day consultation period, which ended on 20 March 2026. The Authority has taken those responses, which do not affect its minded-to position, into consideration in reaching its decision on the Licensee's proposed amendments to its NARM Methodology. A summary of the non-confidential responses and of the Authority's views will be made available on the Authority's website.

**Now Therefore-**

7. Pursuant to Part C of Special Condition 9.2 of the Licence, the Authority hereby approves the modified NARM Methodology for the reasons set out in Chapter 3 of its February 2026 and in its Decision Letter of 26th March 2026 issued alongside this Direction:
  - a. Version 7 of the National Grid Electricity Transmission's Network Asset Risk Annex (NARA); and
  - b. Issue 1 Revision 4 of Scottish Hydro Electric Transmission and Scottish Power Transmission's NARA and associated Licensee Specific Appendix (LSA).

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<sup>1</sup> Network licensee means the holder of a licence granted section 6 (1)(b) or (c) of the Electricity Act 1989. Paragraph 9.2.8(b) of SpC 9.2 requires the licensee to "consult with other Network Licensees to which a condition of equivalent effect to this condition applies and with any other interested parties, allowing them a period of at least 28 days within which to make any representations on the proposed modification".

8. The modified NARM Methodology will be published on the Authority's website alongside this Direction and Decision letter.
9. The Decision letter of 26th March 2026 constitutes notice of the Authority's reasons for the Direction as required by section 49A of the Act.
10. The modified NARM methodology will come into effect from 27th March 2026.

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**Pete Wightman, Deputy Director, Network Price Controls**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**26<sup>th</sup> March 2026**