(Draft) Competitively Appointed Transmission Owner (CATO) licence – for consultation August 2026

Contents

Definitions

Defined terms used in this draft CATO licence are included in a separate annex. This licence should be read in conjunction with the definitions annex and the draft CATO Guidance which have both been published as part of this consultation.

Proposed CATO licence conditions

Standard Condition F1 Housekeeping

Introduction

1. The purpose of this condition is to provide a process for making Housekeeping Modifications to the conditions of this licence

Part A: Assessment of proposed modification

2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.

3. In making the assessment required by paragraph 2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

Part B: Circumstances in which a modification may be made

4. If, having carried out the required assessment under Part A, the Authority considers that the intended modification is a Housekeeping Modification, it may modify the licence by direction to implement the intended modification. Otherwise, any modification will be made under section 11A of the Act.

   (a) the text of the proposed direction;

   (a) the reasons for the proposed direction, including why the Authority believes that it is a Housekeeping Modification; and

   (b) a period during which representations may be made on the proposed direction, which will not be less than 28 days.

5. A direction under paragraph 4 will set out:

(c) the modification to the conditions of this licence; and

(d) the date on which it is to have effect or the mechanism by which that date is to be determined.

Standard Condition F2 Regulatory Accounts

Introduction

1. This condition applies for the purpose of ensuring that the licensee:

(a) prepares and publishes regulatory accounts within the meaning of Part A below; and

(b) maintains (and ensures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the licensee to comply with that obligation.

Part A: Preparation of regulatory accounts

2. For the purposes of this condition, but without prejudice to the requirements of Part C below, the licensee must prepare regulatory accounts for each financial year, for each of the following businesses of the licensee, where applicable:

(a) the consolidated transmission business;

(b) any de minimis business within the meaning of paragraph 4 of Condition F5 (Restriction on activity and financial ring-fencing);

(c) other activities to which this licence relates and to which the Authority has given its consent in accordance with paragraph 3(d) of Condition F5 (Restriction on activity and financial ring-fencing); and

(d) the whole business to which this licence relates, as represented by the consolidation of the businesses and activities referred to within sub-paragraphs (a) to (c), where applicable.

3. Except and so far as the Authority otherwise consents, the regulatory accounts should be prepared under the same applicable accounting framework as the most recent or concurrent statutory accounts of the licensee.

4. Except and so far as the Authority otherwise consents, the licensee must comply with the obligations imposed by the following paragraphs of this Part A in relation to the preparation of regulatory accounts.

5. The licensee must keep or cause to be kept, for a period approved by the Authority, but not less than the period referred to in section 388(4)(b) of the Companies Act 2006 and in the manner referred to in that section, such accounting records and other records as are necessary to ensure that all the revenues, costs, assets, liabilities, reserves, and provisions

of, or reasonably attributable to, each of the businesses or activities identified in paragraph 2 are separately identifiable in the accounting records of the licensee (and any affiliate or related undertaking of the licensee) from those of any other business of the licensee.

6. The regulatory accounts are to be prepared on a consistent basis from the accounting records and other records referred to in paragraph 5 in respect of each financial year, and must comprise:

   (a) the matters set out in paragraph 7; supported by

   (b) the matters mentioned in paragraph 8; and

   (c) the statement required by paragraph 9.

7. The matters to which paragraph 6(a) refers are:

   (a) an income statement and a statement of comprehensive income (or, as appropriate, a profit and loss account and, as appropriate, a statement of total recognised gains and losses);

   (b) a statement of changes in equity, if appropriate;

   (c) a statement of financial position (or, as appropriate, a balance sheet);

   (d) a statement of cash flows (or, as appropriate, a cash flow statement);

   (e) a corporate governance statement in respect of the whole business to which this licence relates;

   (f) a directors' report in respect of the whole business to which this licence relates; and

   (g) a business review in respect of the whole business to which this licence relates.

8. The matters to which paragraph 6(b) refers are set out in explanatory notes to the regulatory accounts that:

   (a) provide a summary of the accounting policies adopted by the licensee for the purpose of producing regulatory accounts;

   (b) comply with the requirements applicable for preparing annual accounts in Chapter 4 of Part 15 of the Companies Act 2006 and of the reporting requirements of the applicable accounting framework; and

   (c) provide segmental information for the transmission owner activities of the licensee.

Part B: Bases of charge or apportionment

9. Subject to paragraph 10, the licensee must include within its regulatory accounts, a statement in respect of the consolidated transmission business that shows separately and

in appropriate detail the amount of any revenue, cost, asset, liability, reserve, or provision which has been:

(a) charged from any Ultimate Controller of the licensee, or from any subsidiary of such Ultimate Controller (other than the licensee or its subsidiaries), in relation to the provision of goods or services to the licensee; or

(b) charged from the licensee, or from any subsidiary of the licensee, in relation to the provision of goods or services to any Ultimate Controller of the licensee, or to any subsidiaries of such Ultimate Controller (other than the licensee or its subsidiaries); or

(c) determined by apportionment or allocation between the consolidated transmission business and any other business of the licensee or affiliate or related undertaking (and, where this sub-paragraph applies, the statement must include a description of the basis of the apportionment or allocation).

10. The requirements of paragraph 9 apply only in respect of goods and services received or supplied for the purposes of the consolidated transmission business.

11. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written consent, the licensee must not in relation to the regulatory accounts in respect of any financial year change the bases of charge, apportionment, or allocation referred to in paragraph 9 from those applied in respect of the immediately preceding financial year.

12. Where the licensee has, in accordance with paragraph 11 above, changed its bases of charge, apportionment, or allocation or changed any of its accounting policies or the manner of their application from those adopted for the immediately preceding financial year, then the licensee must, if so directed by the Authority, in addition to preparing regulatory accounts on the changed bases that it has adopted, also prepare such regulatory accounts by reference to the bases, accounting policies, and manner of application that applied in respect of the immediately preceding financial year.

Part C: Consistency with statutory accounts

13. Regulatory accounts and information prepared under Parts A and B above must, so far as is reasonably practicable and except so far as the Authority otherwise consents, having regard to the purposes of this condition:

(a) have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under Part 15 of the Companies Act 2006; and

(b) comply with all relevant accounting and reporting standards currently in force under the applicable accounting framework as set out in Part 15 of the Companies Act 2006.

Part D: Audit and delivery of regulatory accounts

14. Except and so far as the Authority otherwise consents, the licensee must:

(a) procure an audit by an appropriate auditor of such parts of its regulatory accounts and the directors' report and business review as is specified in the Companies Act 2006 as being required to be so audited if the licensee were a quoted company and those accounts were the statutory accounts of the licensee drawn up to 31 March each financial year and prepared under Part 15 of the Companies Act 2006;

(b) procure a report by an appropriate auditor, addressed to the Authority, that states whether in the appropriate auditor's opinion those accounts fairly present the financial position, financial performance, and cash flows of or reasonably attributable to each of the businesses referred to in paragraph 2 in accordance with the requirements of this condition; and

(c) deliver those accounts and the Auditor's report required under paragraph 14(b) of this licence condition to the Authority as soon as is reasonably practicable, and in any event before publication of such accounts under Part G below and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

Part E: Agreed upon procedures for the appropriate auditor

15. For the purposes of Part D above, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the licensee's regulatory accounts must be conducted by that appropriate auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with the provisions of Part 15 of the Companies Act 2006.

Part F: Agreed upon procedures for the appropriate auditor

16. The licensee must at its own expense enter into a contract of appointment with an appropriate auditor for the completion of agreed upon procedures that are to apply for the purposes of enabling that Auditor to review:

(a) the licensee's compliance with its obligations in respect of the prohibition of cross-subsidy and discrimination generally and, in particular, to the extent that they apply to the licensee, under conditions F4 (Prohibition of cross-subsidies), F17 (Prohibition on engaging in preferential or discriminatory behaviour), and F36 (Obligations in relation to offers for connection etc) of this licence; and

(b) the statement that by virtue of Part B above is required to be included in the regulatory accounts concerning the bases of charge, apportionment, and allocation applied by the licensee in relation to those accounts.

17. The contract of appointment must require that the agreed upon procedures are conducted in relation to each financial year and that the licensee will arrange for the appropriate auditor to address a report to the Authority by 31 July following the end of each such year which:

(a) states that the auditor has, in a manner consistent with the relevant auditing standards, completed the agreed upon procedures issued by the Authority in respect of the financial year under report; and

(b) sets out the auditor's findings.

18. If the Authority is satisfied that the appropriate auditor's report submitted under this Part F demonstrates that the licensee has complied with the obligations to avoid discrimination and cross-subsidies that are imposed on the licensee, the report is to be deemed to represent the results of an audit of those obligations.

Part G: Publication and provision of regulatory accounts

19. Unless the Authority, after consulting with the licensee, otherwise directs, the licensee must publish its regulatory accounts (excluding the statement required to be included in them by virtue of Part B above and any other information agreed by the Authority to be confidential):

(a) as a stand-alone document in accordance with this condition;

(b) by 31 July after the end of the financial year to which the accounts relate;

(c) on, and in a way that is accessible from, its website or that of an affiliate or Ultimate Controller of the licensee provided that link is both clear and readily accessible; and

(d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.

20. A copy of the regulatory accounts must be provided free of charge:

(a) to Citizens Advice and Consumer Scotland (or any successor entity), no later than the date on which the regulatory accounts are published; and

(b) to any person requesting a copy.

Part H: Interpretation

21. Any consent or direction by the Authority given in relation to a provision of this condition may be given in relation to some or all of the requirements of the relevant provision and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.

22. The requirement under paragraph 7 of this condition for the licensee to include a business review, a corporate governance statement, and a directors' report in its regulatory

accounts is to be read as if the requirement applied to the licensee as a quoted company, whether or not it is such a company, such that:

(a) the business review has the coverage and content of the business review that a quoted company is required to prepare under section 417 of the Companies Act 2006;

(b) the corporate governance statement has the coverage and content of a corporate governance statement that a quoted company is required to prepare under the UK Corporate Governance Code issued under the UK Listing Authority's listing rules and interpretations on corporate governance; and

(c) the directors' report has the coverage and content of the directors' report that a quoted company is required to prepare under sections 415, 416, 417, 418(2), and 419(3) and (4) of the Companies Act 2006.

23. For the avoidance of doubt, the licensee should prepare regulatory accounts for the financial year commencing on or after 1 April [202x] in accordance with the licence condition in force as at 31 March [202x].

Standard Condition F3 Disposal of Relevant Assets

1. The licensee must not dispose of or relinquish operational control over any relevant asset except in accordance with the provisions of this condition.

2. Subject to paragraph 3, the licensee must not, after 1 April [202x], grant any mortgage, charge, or other form of security over any receivable except in accordance with the provisions of this condition.

3. The licensee may permit any mortgage, charge, or other form of security over any receivable in effect at the date mentioned in paragraph 2 to remain in effect and may vary its terms so long as the variation does not have the effect of materially extending the scope of the mortgage, charge, or other form of security insofar as it applies to the licensee's receivables.

4. Save as provided in paragraphs 5 or, as applicable, 6, or 8 the licensee shall give to the Authority not less than two months' prior written notice of:

(a) its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset; or

(b) its intention to grant any mortgage, charge, or other form of security over any receivable or class or classes of receivables together with such further information as the Authority may request relating to such receivable, class or classes of receivables or the circumstances of the intended grant of the mortgage, charge or other form of security.

5. Notwithstanding paragraphs 1 and 4(a), the licensee may dispose of or relinquish operational control over any relevant asset where:

   (a) the Authority has issued directions for the purposes of this condition containing a general consent (whether or not subject to conditions) to:

      (i) transactions of a specified description; or

      (ii) the disposal of or relinquishment of operational control over relevant assets of a specified description; and

      the transaction or the relevant assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject;

      or

   (b) the disposal or relinquishment of operational control in question is to another transmission licensee or the ISOP and is required by or under condition F11 (System Operator – Transmission Owner Code).

6. Notwithstanding paragraphs 2 and 4(b), the licensee may grant a mortgage, charge, or other form of security over a receivable or class or classes of receivables where:

   (a) the indebtedness of the licensee which is to be secured represents the novation or rollover of existing indebtedness; and

   (b) the proceeds of the indebtedness of the licensee which is to be secured are used to repay the existing indebtedness referred to in sub-paragraph (a).

7. For the purposes of paragraph 6, what is meant in any particular case by:

   (a) "existing indebtedness"; and

   (b) "proceeds of the indebtedness"

   is to be treated as a question of fact.

8. Notwithstanding paragraphs 1, 2 and 4, the licensee may dispose of or relinquish operational control over any relevant asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable where the transaction in question is required by or under any enactment, any provision of subordinate legislation within the meaning of the Interpretation Act 1978.

9. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any relevant asset or grant a mortgage, charge, or other form of security over a receivable or class or classes of receivable as is specified in any notice given under paragraph 4 where:

(a) the Authority confirms in writing that it consents to such disposal or relinquishment or grant (which consent may be made subject to acceptance by the licensee or any third party to the transaction in question, of such conditions as the Authority may specify); or

(b) the Authority does not inform the licensee in writing of any objection to such disposal, relinquishment or grant within the notice period referred to in paragraph 4.

Standard Condition F4 Prohibition of cross-subsidies

1. The licensee shall procure that the transmission business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the licensee or of an affiliate or related undertaking of the licensee.

Standard Condition F5 Restriction on activity and financial ring-fencing

1. Save as provided by paragraphs 4 and 5, the licensee shall not conduct any business or carry on any activity other than the Transmission Business.
2. The licensee must not own, develop, manage or operate an electricity storage facility, except where the licensee owns or operates an electricity storage facility which is situated on a site on which the licensee carries out or intends to carry out its Transmission Business, for the purpose of continuity of supply and system resilience, or energy management and the electricity storage facility is not used to buy or sell electricity in the electricity markets.
3. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:

   (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;

   (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the Transmission Business; or

   (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom.
4. Subject to the provisions of paragraph 3, nothing in this condition shall prevent:

(a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;

(b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;

(c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or

(d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.

5. Subject to paragraph 2, nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a "relevant associate") from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:

(a) For the purpose of this paragraph, "de minimis business" means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:

(i) the Transmission Business; and

(ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 4(d).

(b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:

(i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the Transmission Business, as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 2(b) of standard condition F2 (Regulatory Accounts); and

(ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in the licensee's transmission licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 2(b) of condition F2 (Regulatory Accounts) then available.

(c) For the purpose of sub-paragraph (b) above, "investment" means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.

(d) At any relevant time, the amount of an investment shall be the sum of:

(i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to the date this condition comes into effect in the licensee's transmission licence (or, where the investment was not so included, zero);

(ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and

(iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,

less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect of such investment in all completed accounting reference periods since the accounting reference date referred to in sub-paragraph (d)(i).

6. For the purposes of paragraph 5, "equity share", in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

Standard Condition F6 Availability of resources

1. The licensee shall at all times act in a manner calculated to secure that it has available to it such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:

(a) to properly and efficiently carry on the transmission business; and

(b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to the transmission business including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.

Certificates for the Authority in relation to financial resources

2. The licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) Certificate 1F

"After making enquiries and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate."

or

(b) Certificate 2F

"After making enquiries, and subject to what is explained below, having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the licensee's directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate. However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee's ability to carry on the transmission business [followed by a description of the factors concerned]."

or

(c) Certificate 3F

"In the opinion of the licensee's directors, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate."

Statement of factors and report by auditors in relation to financial resources certificate

3. The licensee must ensure that the certificate given to the Authority under paragraph 2 is accompanied by:

(a) a statement of the main factors that the licensee's directors have taken into account in giving that certificate including reference to:

(i) the main financial resources and financial facilities available to the licensee;

(ii) the most recent cash flow statement prepared for the licensee;

and

(b) a report prepared by its auditors and addressed to the Authority which states whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement submitted with it under sub-paragraph (a) and, on the other hand, any information that they obtained during their audit work under standard condition F2 (Regulatory Accounts) on the licensee's regulatory accounts.

Certificates for the Authority in relation to operational resources

4. With effect from 1 August 20[xx], the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

(a) Certificate 1R

"After making enquiries the licensee's directors have a reasonable expectation that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate."

or

(b) Certificate 2R

"After making enquiries, and subject to what is explained below, the licensee's directors have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate.
However, the directors of the licensee would like to draw attention to the following factors, which may cast doubt on the licensee's ability to carry on the transmission business [*followed by a description of the factors concerned*]."

or

(c) Certificate 3R

"In the opinion of the licensee's directors, the licensee will not have sufficient operational resources including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities available to itself to enable the licensee to carry on the transmission business for a period of 12 months from the date of this certificate."

Statement of factors in relation to operational resources certificate

5. The licensee must ensure that the certificate given to the Authority under paragraph 4 is accompanied by a statement of the main factors that the licensee's directors have taken into account in giving that certificate

Certificate for the Authority in relation to compliance with certain standard licence conditions

6. With effect from 1 August 20[xx], the licensee must by 31 July each year give the Authority a certificate that has been approved by a resolution of the licensee's board of directors and signed by a director of the licensee pursuant to that resolution and is in one of the following forms:

   (a) Certificate 1C

   "After making enquiries the licensee's directors consider that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all of the obligations imposed on it by condition F30 (Provision of information to the Authority), condition F5 (Restriction on activity and financial ring-fencing), condition F6 (Availability of resources), condition F7 (Undertaking from Ultimate Controller), condition F9 (Credit Rating of the licensee) and condition F8 (Indebtedness)."

or

   (b) Certificate 2C

   "In the opinion of the licensee's directors, the licensee is not at the time of their approval of this certificate in compliance in all material respects with all of the obligations imposed on it by condition F30 (Provision of information to the Authority), condition F5 (Restriction on activity and financial ring-fencing), condition F6 (Availability of resources), condition F7 (Undertaking from Ultimate Controller), condition F9 (Credit Rating of the licensee) and condition F8 (Indebtedness)."

Obligation to report any adverse circumstances

7. The licensee must inform the Authority in writing immediately if:

   (a) the directors of the licensee become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent certificate given under paragraph 2(a), 2(b), 4(a) or 4(b); or

   (b) the directors of the licensee consider that any adverse circumstances that caused them to give the Authority a certificate in the form of Certificate 3F under paragraph 2(c) or Certificate 3R under paragraph 4(c) have materially worsened.

Certificates for the Authority in relation to dividends

8. Subject to paragraph 11, the directors of the licensee must not declare or recommend a dividend, and the licensee must not make any other form of distribution within the meaning of sections 829, 830, 849 and 850 of the Companies Act 2006, or redeem or repurchase any share capital of the licensee, unless before declaring, recommending, or

making the distribution, redemption, or repurchase (as the case may be) the licensee has given the Authority a certificate that complies in all respects with the three requirements set out in paragraphs 9 and 10 below.

9. The first requirement is that the certificate must be in the following form: "After making enquiries, the directors of the licensee are satisfied:

   (a) that, at the time of their approval of this certificate, the licensee is in compliance in all material respects with all the obligations imposed on it by condition F30 (Provision of information to the Authority), condition F5 (Restriction on activity and financial ring-fencing), condition F6 (Availability of resources), condition F7 (Undertaking from Ultimate Controller), condition F9 (Credit Rating of the licensee and related obligations) and condition F8 (Indebtedness).

   and

   (b) that the making of a distribution, redemption, or repurchase of [value] on [date] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future."

10. The second and third requirements are that the certificate:

    (a) must have been approved by a resolution of the licensee's board of directors passed not more than 14 days before the date on which the declaration, recommendation, or payment is to be made; and

    (b) must be signed by a director of the licensee.

11. The licensee need not give the Authority a certificate of the type referred to in paragraph 8 in circumstances where:

    (a) during the three months preceding the declaration or recommendation of a dividend, the making of any other form of distribution or the redemption or repurchase of share capital, it has given the Authority a certificate in the form of Certificate 1C under the requirement set out in paragraph 6 of this condition; and

    (b) that certificate includes an appropriate addendum using the wording given at paragraph 9(b) of this condition.

12. Where the certificate given under paragraph 8, or relied upon under paragraph 11, relates to the declaration or recommendation of a dividend, the licensee is under no obligation to issue a further certificate before paying that dividend so long as such payment is made within six months of the date on which the certificate was given.

Requirement to maintain an Intervention Plan

13. The licensee must prepare by 1 April [202x], or within 12 months of this condition coming into effect in respect of the licensee, whichever is the later, and thereafter, maintain an intervention plan fulfilling the criteria described in the definition of Intervention Plan set out in the definitions section.

14. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan to be included in the intervention plan will be satisfied if the plan provides details of other documents or records (including electronic records) where that information can be readily obtained and those documents or records are either maintained by the licensee itself or are available to the licensee at all times under a legal or contractual right

Standard Condition F7 Undertaking from Ultimate Controller

1. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an Ultimate Controller of the licensee a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that that Ultimate Controller ("the covenantor") will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is subsidiary of, or is controlled, by, the covenantor (other than the licensee and its subsidiaries) will refrain from any action which would then be likely to cause the licensee to breach any of its obligations under the Act or this licence. Such undertaking shall be obtained within 7 days of the company or other person in question becoming an Ultimate Controller and shall remain in force for as long as the licensee remains the holder of this licence and the covenantor remains an Ultimate Controller of the licensee.

2. The licensee shall:

   (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 1;

   (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and

   (c) comply with any direction from the Authority to enforce any such undertaking;

   and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any Ultimate Controller of the licensee or of any of the subsidiaries of any such corporate Ultimate Controller (other than the subsidiaries of the licensee) at a time when,

(i) an undertaking complying with paragraph 1 is not in place in relation to that Ultimate Controller, or

(ii) there is an unremedied breach of such undertaking; or

(iii) the licensee is in breach of the terms of any direction issued by the Authority under sub-paragraph (c).

3. With effect from 1 August 20[xx], the licensee must, on or before 31 July of each year, provide the Authority with a schedule of the undertakings obtained in accordance with paragraph 1 that are in force at that time, together with a confirmation that the licensee has sent each of the Ultimate Controllers concerned a letter, within the preceding 12 months, reapprising that Ultimate Controller of the terms of the undertaking that it has given.

Standard Condition F8 Indebtedness

1. In addition to the requirements of condition F3 (Disposal of relevant assets), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):

(a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:

(i) on an arm’s length basis;

(ii) on normal commercial terms;

(iii) for a permitted purpose; and

(iv) (if the transaction is within the ambit of standard condition F3 (Disposal of relevant assets) in accordance with that condition);

(b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any associate of the licensee otherwise than by way of:

(i) dividend or other distribution out of distributable reserves;

(ii) repayment of capital;

(iii) payment properly due for any goods, services or assets provided on an arm’s length basis and on normal commercial terms;

(iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm’s length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;

(v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);

(vi) payments for group corporation tax relief or for the surrender thereof calculated on a basis not exceeding the value of the benefit received; or

(vii) an acquisition of shares or other investments in conformity with paragraph 2 of condition F5 (Restriction on activity and financial ring-fencing) made on an arm's length basis and on normal commercial terms, provided however, that the provisions of paragraph 3 below shall prevail in any of the circumstances described or referred to therein;

(c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or

(d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation,

provided however that the provisions of sub-paragraphs 1(c) and (d) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:

(a) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating; or

(b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.

3. Except with the prior consent of the Authority, the licensee shall not into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 9, if any of the circumstances set out in paragraphs 4 to 8 applies.

4. The circumstance described by this paragraph is that the licensee is required by condition F9 (Credit Rating of the licensee and related obligations) to hold one or more investment grade issuer credit ratings or instrument credit ratings and does not hold such investment grade issuer credit rating(s) or instrument credit rating(s).

5. The circumstance described by this paragraph is that the licensee holds more than one issuer credit rating, and one or more of the ratings so held is not investment grade.

6. The circumstance described by this paragraph is that any issuer credit rating or instrument credit rating held by or relied upon by the licensee in respect of compliance

with an applicable requirement set out at paragraph 3 of condition F9 (Credit Rating of the licensee and related obligations), is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. or BBB (low) by DBRS Ratings Ltd , (or such higher issuer credit rating as may be specified by any of these credit rating agencies from time to time as the lowest investment grade issuer credit rating), or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of standard condition F9 (Credit Rating of the licensee and related obligations) and:

(a) is on review for possible downgrade; or

(b) is on Credit Watch or Rating Watch with a negative designation;

or, where neither (a) nor (b) applies:

(c) the rating outlook of the licensee as specified by any credit rating agency referred to in this paragraph 6 that at the relevant time has assigned the lower or lowest investment grade issuer credit rating held by the licensee has been changed from stable or positive to negative.

7. The circumstance described by this paragraph is that the licensee has:

(a) given the Authority a certificate in the form of Certificate 3F under the requirement set out in paragraph 2 of condition F6 (Availability of resources) and has not subsequently given the Authority a certificate in the form of Certificate 1F or Certificate 2F as set out in the same condition; or

(b) given the Authority a certificate in the form of Certificate 3R under the requirement set out in paragraph 4 of condition F6 (Availability of resources) and:

(i) the opinion expressed in the certificate arises in whole or in part from circumstances affecting an associate of the licensee, and

(ii) the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or Certificate 2R as set out in the same condition;

or

(c) informed the Authority of any circumstance of the type referred to at paragraph 7 of condition F6 (Availability of resources) and:

(i) the circumstances giving rise to the licensee's report relate to the licensee's financial resources and the licensee has not subsequently given the Authority a certificate in the form of Certificate 1F or 2F as set out in the same condition; or

(ii) the circumstances giving rise to the licensee's report relate to the licensee's operational resources and:

A. relate in whole or in part to circumstances affecting an associate of the licensee; and

B. the licensee has not subsequently given the Authority a certificate in the form of Certificate 1R or 2R as set out in the same condition.

8. The circumstance described by this paragraph is that the licensee has, after 1 April [20xx], materially breached any formal covenant contained in any loan agreement, commercial paper, bond issue or committed facility that it has entered into with a counterparty, unless one of the following applies:

(a) the licensee has remedied the breach to the satisfaction of the counterparty concerned;

(b) the licensee has renegotiated the covenant or arrangement to the satisfaction of the counterparty concerned;

and in either case (a) or (b) the remedy or renegotiation has been notified in writing to the Authority; or

(c) in response to a written request from the licensee, either the Authority has confirmed in writing, before the breach occurs, that the breach in question shall not trigger the provisions of paragraphs 3 or 9, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.

9. Where, under the provisions of paragraph 3, the licensee is prohibited from entering into or completing any transaction of a type referred to or described in paragraph 1(b), the licensee may not without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, license or lend any sum or sums, asset, right or benefit (as described or referred to in paragraph 1(b)) to any associate of the licensee, otherwise than by way of:

(a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the prohibiting circumstances arose, and which are provided on an arm's length basis and on normal commercial terms;

(b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;

(c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the prohibiting circumstances arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and

(d) payments for group corporation tax relief or the surrender thereof calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

Standard Condition F9 Credit rating of licensee

Introduction

1. The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports where certain conditions are met

Part A: Obligation to maintain an Investment Grade Issuer Credit Rating

2. Paragraph 3 and Parts B and C apply:

    (a) from the grant of this licence if either:

        (i) the licensee funds or proposes to fund all or part of the Construction of the licensee's transmission system using debt capital markets; or

        (ii) the estimated capital expenditure (as that term is defined in The Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024 for the Construction of the licensee's transmission system exceeds £1,000,000,000

    and otherwise

    (b) from the TRS Commencement Date.

3. Where this paragraph applies and unless the Authority consents to alternative arrangements, the licensee must maintain:

    (a) more than one Investment Grade Issuer Credit Rating at all times.

    (b) investment grade instrument credit ratings for debt instruments that it has issued and whose aggregate nominal value is at least 75% of a figure equating to the licensee's total assets minus total liabilities as shown in its most recent statutory accounts

Part B: Obligation to provide Published Rating Reports

4. Where this part applies and a Negative Rating Action occurs in respect of the licensee or the licensee's credit rating is withdrawn, it must within a period of ten working days beginning with the date of the relevant Published Rating Report:

    (a) notify the Authority; and

    (b) if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

Part C: Obligation to provide Financial Resilience Reports

5. Where this part applies, the licensee must provide the Authority with a Financial Resilience Report within 60 days of the date of a Negative Rating Action relating to the licensee, if:

   (a) the licensee's highest rating held for an Issuer Credit Rating or highest rating held for a Significant Instrument Credit Rating is one notch higher than the lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;

   (b) the licensee's Issuer Credit Rating or Significant Instrument Credit Rating is at the lowest Investment Grade or lower; or

   (c) the licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating that would, if breached by the licensee, trigger an event of default under the relevant debt documents and that rating is either;

      (i) one notch above the minimum covenant requirement and is on Negative Watch; or

      (ii) lower than one notch above the minimum rating specified within the covenant requirement.

6. The Financial Resilience Report must include:

   (a) an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to either operational performance or macro-economic events;

   (b) financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and

   (c) details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.

7. The financial projections required by paragraph 5(b) of this condition must include:

   (a) a forecast balance sheet;

   (b) income statements;

   (c) cashflow statements;

   (d) key financial metric projections; and

   (e) results of any stress tests that the licensee considers to be appropriate

Standard Condition F10 Security Arrangements (Fuel Security Code)

1. The licensee shall

(a) in respect of its participation in transmission in England and Wales comply with the provisions of the Fuel Security Code and such provisions shall have effect as if they were set out in this licence; and

(b) in respect of its participation in transmission in Scotland and if so directed in directions issued by the Authority for the purposes of this condition, not later than such date as may be specified in such directions, enter into an agreement designated by the Secretary of State for the purposes of this condition relating to compliance with directions issued by the Secretary of State under section 34 and/or section 35 of the Act.

2. The licensee shall comply with and perform its obligations under any agreement which it enters into pursuant to paragraph 1(b) above.

Standard Condition F11 System Operator- Transmission Owner Code

1. The licensee shall, in common with those other transmission licensees to which this condition applies and the ISOP, at all times have in force a STC, being a document which:

(a) sets out terms as between STC parties whereby the national electricity transmission system and each STC party's transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;

(b) set outs the terms by which the ISOP allocates transmission network revenue, consistent with the principles that the ISOP will only allocate invoiced transmission network revenue (net of payments to the agency, the authority, electricity interconnector licensees, offshore transmission owners, the ISOP, any other parties as directed by the authority, and payments associated with the NIC Funding Mechanism) to transmission owners. Any difference between invoiced transmission network revenue and maximum revenue will be fully shared between the transmission owners. Each transmission owner’s share will be proportionate to their share of maximum revenue as notified to the ISOP by the transmission owners. The licensee shall use its reasonable endeavours to ensure terms are in place that facilitate its compliance with the requirements of this condition no later than 1 July 202[x], or such other date as directed by the Authority;

(c) is designed to facilitate achievement of the objectives set out in paragraph 3;

(d) includes the modification procedures required by paragraph 6-6H;

(e) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC; and

(f) The licensee shall be taken to comply with this paragraph by:

(i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect, the document designated by the Secretary of State for the purposes of this condition; and

(ii) modifying such document from time to time in accordance with the transition modification provisions and the provisions of paragraphs 6-6H and 7 below.

2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the national electricity transmission system and each STC party's transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided are those which:

(a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees, the ISOP, and STC parties arising under any relevant licences codes or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and

(b) provide for matters which include:

(i) the provision of transmission services,

(ii) the operation, including the configuration, of the national electricity transmission system,

(iii) the co-ordination of the planning of STC parties' transmission systems,

(iv) the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),

(v) planning for, and co-ordination of, transmission outages,

(vi) procedures for developing, agreeing and implementing party entry processes,

(vii) the resolution of disputes,

(viii) the exchange of information between STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences, the electricity system operator licence, and other relevant statutory obligations,

(ix) procedures to enable the ISOP to obtain relevant information from STC parties to enable it to produce information and analysis about the national electricity transmission system in accordance with condition

C12 (Production of information about the National Electricity Transmission System) and condition C13 (The Network Options Assessment (NOA) process and reporting requirements) of the electricity system operator licence, and

(x) procedures established in pursuance of paragraphs 6-6H.

nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

3. The objectives of the STC referred to in sub-paragraph 1(c) are the:

(a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;

(b) efficient discharge of the obligations imposed upon the ISOP by the electricity system operator licence, the Energy Act 2023 and the Act;

(c) development, maintenance and operation of an efficient, economical and co¬ordinated system of electricity transmission;

(d) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;

(e) protection of the security and quality of supply and safe operation of the national electricity transmission system insofar as it relates to interactions between transmission licensees and the ISOP;

(f) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC;

(g) facilitation of access to the national electricity transmission system for generation not yet connected to the national electricity transmission system or distribution system; and

(h) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

4. The STC shall provide for:

(a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC;

(b) a copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy;

(c) a panel body, as specified in the STC (the "panel") whose functions shall include the matters required by this condition and as set out in the STC;

(d) a secretarial or administrative person or body, as specified in the STC, to perform the role of code administrator (the "code administrator"). In addition to any powers, duties or functions set out in the STC, the code administrator shall:

(i) together with other code administrators, publish, review and (where appropriate) amend from time to time the Code of Practice approved by the Authority (any amendments to the Code of Practice are to be approved by the Authority);

(ii) facilitate the procedures for making a modification to the STC; and

(iii) have regard to, and in particular (to the extent relevant) be consistent with the principles contained in, the Code of Practice;

5. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.

6. The STC shall include procedures for its own modification (including procedures for the modification of the modification procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:

(a) for proposals for modification of the STC to be made by any of the STC parties, the Authority (in relation only to modifications which fall within the scope of paragraph 6GE), the licensee or such other persons or bodies as the STC may provide;

(i) for modification proposals made by the Authority or the licensee under 6(a) and 6(ab)(i) respectively which fall within the scope of paragraph 6GE:

A. to be accepted into the STC modification procedures by the panel;

B. where they are raised by the licensee, not to be withdrawn without the Authority's prior consent; and

C. to proceed in accordance with any timetable(s) directed by the Authority in accordance with paragraph 6(ab);

(ii) for compliance by the licensee and (where applicable) the panel with any direction(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation only to modifications fall within the scope of paragraph 6GE) for:

A. the licensee to raise a modification proposal(s); and/or

B. the completion of each of the procedural steps outlined in paragraph 6 or 6GC, to the extent that they are relevant; and/or

C. the implementation of a modification.

(b) except for modifications made pursuant to paragraph 6D or 6GB, where a modification proposal is made:

(i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;

(ii) for the proper evaluation of the suitability of the self-governance route (in accordance with paragraph 6A) for a particular modification proposal;

(iii) during a significant code review phase, for the proper evaluation of the relevance of the significant code review to a particular modification proposal

(iv) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;

(v) for the preparation by the panel of an assessment of the likely impact of the proposal on each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning any STC party or STC party's transmission system, such assessment shall be made on the basis of the panel's proper assessment (which the panel shall make available for these purposes) of the impact of the proposal on each STC party's transmission system;

(vi) for properly evaluating whether the proposed modification would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the panel requires information which is not generally available concerning any STC party or STC party's transmission system or the national electricity transmission system, such evaluation shall be made on the basis of the panel's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph 3;

(vii) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable STC objectives;

(viii) for the evaluation required under paragraph 6(b)(iv) (and, if applicable, paragraph 6(b)(v)) in respect of the applicable STC objective(s) to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance (on the treatment of carbon costs and evaluation of greenhouse gas emissions) as may be issued by the Authority from time to time;

(ix) for the preparation of a report on behalf of the panel which includes the following:

A. the proposed modification and any alternative;

B. an evaluation of the proposed modification and any alternative;

C. an assessment of the extent to which the proposed modification or any alternative would better facilitate achieving the applicable STC objectives and a detailed explanation of the reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of greenhouse gas emissions in accordance with paragraph 6(b)(vA));

D. to the extent practicable, an assessment of the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed modification;

E. an assessment of the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of the modification;

F. a recommendation by the panel (or in the case of a proposal falling within the scope of paragraph 6A, a determination), by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification or any alternative should be made;

G. to the extent practicable, the inclusion in the report of the combined views of the STC parties concerning the modification and any alternative or, where a combined view is not practicable, the views of each STC party;

H. a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and

(x) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);

(c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any modification to be either:

(i) in accordance with any direction(s) issued by the Authority under paragraph 6(ab); or

(ii) where no direction has been issued by the Authority under paragraph 6(ab),

such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made (or after a determination by the panel in accordance with paragraph 6A), account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;

(iii) for the completion of each of the procedural steps outlined in this paragraph 6, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(ab);

(iv) for separate processes for the modification of STC Procedures and the schedule listing the STC Procedures in force from time to time and which otherwise forms a part of the STC, to those for the modification of other parts of the STC set out in sub-paragraphs (a) to (d) above and paragraphs 6A-7; and

(v) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraphs 6(b)(vi) and 6(b)(vii) upon, and in accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal.

6A. The procedures for the modification of the STC shall provide that modification proposals shall only be implemented without the Authority's approval pursuant to this paragraph 6A (the "self-governance route") where:

(a)

(i) in the view of the panel, the modification proposal meets all of the self-governance criteria, and the panel has submitted to the Authority in respect of the modification proposal and not withdrawn a self-governance statement; or

(ii) if a self-governance statement has not been made, or has been withdrawn, the Authority has determined that the self-governance criteria are satisfied and the modification proposal is suitable for the self-governance route; and

(b) unless otherwise exempted by the Authority, the panel has sent copies of all consultation responses to the Authority at least seven (7) days before the panel intends to make its determination under paragraph 6A(d); and

(c) the Authority has not directed that the Authority's decision is required prior to the panel's determination under paragraph 6A(d); and

(d) the panel has, no earlier than seven (7) days after sending the consultation responses referred to at paragraph 6A(b), determined that the modification proposal or any alternative should be implemented on the basis that it would, as compared with the then existing provisions of the STC and any other modifications proposed in accordance with paragraph 6(b)(v), better facilitate the achievement of the applicable STC objective(s); and

(e)

(iii) no appeal has been raised up to and including 15 working days after the panel's determination under paragraph 6A(d) in respect of such modification proposal and any alternative; or

(iv) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph 6B and the Authority has not quashed the panel's determination referred to at paragraph 6A(d) (and either remitted the relevant modification proposal and any alternative back to the panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal).

6B. The procedures for the modification of the STC shall provide that those persons set out at paragraph 6(a) may appeal to the Authority the approval or rejection by the panel of a modification proposal and any alternative falling under the self-governance route (in accordance with paragraph 6A), provided the appeal has been made up to and including 15 working days after the approval or rejection and in accordance with the procedures specified in the STC and, in the opinion of the Authority:

(a)

(i) the appealing party is likely to be unfairly prejudiced by the implementation or non-implementation of that modification or alternative proposal; or

(ii) the appeal is on the grounds that:

A. in the case of implementation, the modification or alternative proposal may not better facilitate the achievement of at least one of the applicable STC objectives; or

B. in the case of non-implementation, the modification or alternative proposal may better facilitate the achievement of at least one of the applicable STC objectives; and

(b) the appeal is not brought for reasons that are trivial or vexatious, nor does the appeal have no reasonable prospect of success.

6C. The procedures for the modification of the STC shall provide that:

(a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph 6B, that modification proposal and any alternative shall be treated in accordance with any decision and/or direction of the Authority following that appeal; and

(b) if the Authority quashes the panel's determination referred to at paragraph 6A(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph 6A(d), the panel's determination of that modification shall be treated as a recommendation under sub-paragraph 6(b)(vi).

6D. The procedures for the modification of the STC shall provide that modifications shall only be implemented without the Authority's approval pursuant to this paragraph 6D (the "fast track self-governance route") where:

(a) in the unanimous view of the panel, the proposed modification meets all of the fast track self-governance criteria;

(b) the panel unanimously determines that the modification should be made;

(c) STC parties and the Authority have been notified of the proposed modification;

(d) none of the persons named in sub-paragraph (c) have objected to the proposed modification being made via the fast track self-governance route in the fifteen (15) working days immediately following the day on which notification was sent; and

(e) notification under sub-paragraph (c) contains details of the modification proposed, that it is proposed to be made via the fast track self-governance route, how to object to the modification being made via the fast track self-governance route, the proposed legal drafting and the proposed implementation date.

6E. Without prejudice to paragraph 6GB, the procedures for the modification of the STC shall provide that proposals for the modification of the STC falling within the scope of a significant code review may not be made during the significant code review phase, except:

(a) where the Authority determines that the modification proposal may be made, having taken into account (among other things) the urgency of the subject matter of the proposal; or

(b) at the direction of, or by, the Authority.

6F. The procedures for the modification of the STC shall provide that, where a modification proposal is made during a significant code review phase, the panel shall:

(a) unless exempted by the Authority, notify the Authority as soon as practicable of:

(i) any representations received in relation to the relevance of the significant code review; and

(ii) the panel's assessment of whether the proposal falls within the scope of the significant code review and its reasons for that assessment; and

(b) if the Authority so directs, not proceed with the modification proposal until the significant code review phase has ended.

6G. The procedures for the modification of the STC shall provide that if, within twenty-eight 28 days after the Authority has published its significant code review conclusions:

(a) the Authority issues directions to the licensee, the licensee shall comply with those directions and shall treat the significant code review phase as ended;

(b) the Authority issues to the licensee a statement that no directions under sub-paragraph (a) will be issued in relation to the STC, the licensee shall treat the significant code review phase as ended;

(i) the Authority raises a modification proposal in accordance with paragraph 6(a) the licensee shall treat the significant code review phase as ended;

(ii) the Authority issues a statement that it will continue work on the significant code review, the licensee shall treat the significant code review phase as continuing until it is brought to an end in accordance with paragraph 6GA;

(c) neither directions under sub-paragraph (a), nor a statement under sub-paragraph (b) or (bb), have been issued, nor a modification proposal under sub-paragraph (ba), has been made, the significant code review phase will be deemed to have ended.

The Authority's published conclusions and directions to the licensee will not fetter any voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6(vi).

6GA. The procedures for the modification of the STC shall provide that, if the Authority issues a statement under paragraph 6G(bb) and/or a direction in accordance with paragraph 6GD, the significant code review phase will be deemed to have ended when:

(a) the Authority issues a statement that the significant code review phase has ended;

(b) one of the circumstances in sub-paragraphs 6G(a) or (ba) occurs (irrespective of whether such circumstance occurs within twenty-eight (28) days after the Authority has published its significant code review conclusions); or

(c) the Authority makes a decision consenting, or otherwise, to the modification of the STC following the panel's submission of its report under sub-paragraph 6GC(b).

6GB. The procedures for the modification of the STC shall provide that, where the Authority has issued a statement in accordance with paragraph 6G(bb) and/or a direction in accordance with paragraph 6GD. the Authority may submit a modification proposal for a modification falling within the scope of paragraph 6GE(b) to the panel.

6GC. The procedures for the modification of the STC shall provide, where the Authority submits a significant code review modification proposal to the panel in accordance with paragraph 6GB:

(a) for the preparation of a panel report:

(i) evaluating the proposed modification;

(ii) assessing the extent to which the proposed modification would better facilitate achieving the applicable STC objectives and providing a detailed explanation of the panel's reasons for that assessment (such assessment to include, where the impact is likely to be material, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions, to be conducted in accordance with any such guidance on the treatment of carbon costs and evaluation of greenhouse gas emissions as may be issued by the Authority from time to time);

(iii) assessing, to the extent practicable, the likely impact on each STC party's transmission system and any other systems of that STC party and an assessment of the likely impact on the national electricity transmission system, of the proposed modification;

(iv) assessing the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of the modification;

(v) including a recommendation by the panel, by reference to the panel's assessment against the applicable STC objectives, as to whether the proposed modification should be made;

(vi) to the extent practicable, the inclusion in the report of the combined views of the STC parties concerning the modification or, where a combined view is not practicable, the views of each STC party; and

(vii) setting out a timetable for implementation of the modification, including the date with effect from which such modification (if made) would take effect;

(b) for the submission of the report to the Authority as soon after the significant code review modification proposal is submitted for evaluation as is appropriate (taking into account the complexity, importance and urgency of the modification) for the proper execution and completion of the steps in sub-paragraph (a);

(c) for the revision and resubmission of the modification report submitted to the Authority pursuant to sub-paragraph (b) upon, and in accordance with, a direction issued to the panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal; and

(d) for the timetable (referred to in sub-paragraph (a)(vii)) for implementation of any modification to be either:

  (i) in accordance with any direction(s) issued by the Authority; or

  (ii) where no direction has been issued by the Authority, such as will enable the modification to take effect as soon as practicable after the Authority has directed that such modification should be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted.

(e) for the completion of each of the procedural steps outlined in this paragraph 6GC, to the extent that they are relevant, to be in accordance with any timetable(s) directed by the Authority under paragraph 6(ab).

The Authority's published conclusions and significant code review modification proposal shall not fetter the voting rights of the members of the panel or the recommendation procedures informing the report described at paragraph 6GC(a).

6GD. The procedures for the modification of the STC shall provide that, where a proposal has been raised in accordance with sub-paragraph 6G(a) or 6(ab), or by the Authority under paragraph 6(a) and it falls within the scope of paragraph 6GE(b), the Authority may issue a direction (a "backstop direction"), which requires such proposal(s) and any alternatives to be withdrawn and which causes the significant code review phase to recommence.

6GE. Modification proposals fall within the scope of this paragraph where:

(a) the Authority reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation; and/or

(b) any relevant legally binding decisions of the European Commission and/or the Agency; and/or the modification proposal is in respect of a significant code review.

6H. The procedures for the modification of the STC shall be consistent with the principles set out in the Code of Practice, to the extent that they are relevant.

7. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.

8. The STC Framework Agreement shall contain provisions:

   (a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and

   (b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.

9. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of modification), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the STC.

10. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for modification set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).

11. For the avoidance of doubt, paragraphs 9 and 10 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.

11A. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee shall use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition including, but not limited to, modifying the STC where necessary no later than [31 March 20xx].

12. The licensee shall comply with any direction to the licensee made pursuant to this condition.

13. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the national electricity transmission system or to such extent as may be specified in the direction.

Standard Condition F12 Scottish Settlement Agreement

1. Subject to paragraph 2, insofar as the licensee transmits electricity to any premises situate in Scotland or to the extent that the Settlement Agreement for Scotland may apply in respect of the activities of the transmission business, the licensee shall comply with the relevant provisions of the Settlement Agreement for Scotland.

2. The Authority may (with the consent of the Secretary of State and following consultation with the licensee and such other persons as the Authority determines appropriate) where it considers it consistent with, or necessary or expedient for, the successful implementation and operation of BETTA, issue directions relieving the licensee of such of its obligations under this condition (whether in part or in whole) as the Authority deems appropriate.

Standard Condition F13 Obligation to provide transmission services

1. The licensee shall, in accordance with the STC, provide to the ISOP the transmission services set out in paragraph 2, once the transmission services are available for use.

2. The transmission services which the licensee shall provide in accordance with paragraph 1 shall consist of the following:

    (a) making available those parts of the licensee's transmission system which are intended for the purposes of conveying, or affecting the flow of, electricity so that such parts are capable of doing so and are fit for those purposes;

    (b) a means of enabling the ISOP to direct the configuration of those parts of the licensee's transmission system made available to it and, consistent with such means, giving effect to any such direction from time to time; and

    (c) a means of enabling the ISOP to obtain information in relation to the licensee's transmission system which is needed by the ISOP to enable it to co-ordinate and direct the flow of electricity onto and over the national electricity transmission system and, consistent with such means, providing such information to the ISOP.

Standard Condition F14 Regulatory Instructions and Guidance (RIGs)

Introduction

1. This condition set out the scope, contents, and common governance arrangements for the RIGs. The RIGs are the primary means by which the Authority directs the licensee to collect and provide the information to the Authority that the Authority needs to enable it to administer the conditions of this licence, to conduct market analysis relevant to the licensee and/or the licensee's activities, and in any determination of the PPWCA

2. The Authority also uses this information in preparation of an Annual Report.

Part A: The RIGs

3. The Authority will issue and amend the RIGs by direction.

4. The Authority will maintain a current version of the RIGs on the Authority's Website.

5. Subject to paragraphs 6 and 7 of this condition, RIGs will make provision for:

   (a) instructions and guidance on the establishment of systems, processes, procedures, and ways for recording and providing Specified Information;

   (b) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of Specified Information (including different classes of such information);

   (c) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards;

   (d) the methodology for calculating or deriving numbers comprising Specified Information;

   (e) provision with respect to the meaning of words and phrases used in defining Specified Information;

   (f) Instructions and guidance on the provision of forecast information where the Authority requires reporting of actual activities and/or data and anticipated activities and/or data for future periods;

   (g) requirements as to the form and manner in which, or the frequency with which, Specified Information must be recorded;

   (h) requirements as to the form and manner in which, or the frequency with which, Specified Information must be provided to the Authority (including both annual reporting and more frequent in year reporting);

   (i) requirements as to which (if any) of the Specified Information is to be subject to audit, the terms on which an auditor is to be appointed by the licensee for that purpose, and the nature of the audit to be carried out by that person;

   (j) requirements as to the circumstances in which the Authority may appoint an Examiner to examine the recording of the Specified Information by the licensee;

(k) a statement on whether and to what extent each category of the Specified Information is required for the purposes of the RIGs;

(l) provision about how the Authority intends to monitor, assess, and enforce compliance with the RIGs; and

(m) instructions and guidance on the standards of accuracy and reliability that are applicable to the commentary that supports the information provided by licensees under the RIGs (to enable the Authority to assess efficiency and delivery of value to consumers).

6. The provisions of the RIGs will not exceed what is reasonably required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions.

7. No Specified Information will exceed what could be requested from the licensee by the Authority under paragraph 1 of condition F30 (Provision of information to the Authority) excluding any reference to paragraph 5 of that condition.

8. Before issuing new RIGs or amending the RIGs the Authority will publish on the Authority's Website:

(a) the proposed text of the new or amended RIGs;

(b) the date on which the Authority intends the new or amended RIGs to come into effect;

(c) the reasons for the new or amended RIGs; and

(d) a period during which representations may be made on the new or amended RIGs which will not be less than 28 days.

Part B: Compliance with the provisions of the RIGs

9. The licensee must comply with the RIGs.

10. The licensee must at all times comply have in place and maintain appropriate systems, processes, and procedures to enable it to:

(a) estimate, measure, and record Specified Information; and

(b) provide Specified Information to the Authority in accordance with the RIGs.

11. The accounting records and other records kept by the licensee with respect to the Specified Information must be:

(a) separately identified and reasonably attributed as between the licensee's business and the business of any affiliate or related undertaking of the licensee; and

(b) maintained for a period of eight years, or such shorter period as set out in the RIGs, from the date that they are made.

12. The licensee must take all reasonable steps to validate and check that the Specified Information is complete, reliable and meets the standards prescribed by the RIGs.

13. The licensee must, on or before each submission date, write to the Authority to confirm that, in its opinion, the Specified Information in respect of each Regulatory Year meets the standards prescribed by the RIGs.

14. Nothing in this condition requires the licensee to provide any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court.

Part C: Requirements for new or more detailed information

15. This Part C applies if any new or amended RIGs have the effect of introducing a requirement to provide:

    (a) a new category of Specified Information; or

    (b) an existing category of Specified Information to a greater level of detail,

    which has not previously been collected by the licensee, whether under the provisions of the RIGs or otherwise.

16. Where this Part C applies, the licensee may provide estimates to the Authority in respect of the relevant category of Specified Information for any Regulatory Year specified by the Authority.

17. The estimates that are mentioned in paragraph 16 of this condition may be derived from such other information available to the licensee as may be appropriate for that purpose.

Part D: Derogations

18. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee

Standard Condition F15 Transmission system security standard and quality of service

1. The licensee shall at all times plan and develop the licensee's transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard (SQSS), together with the STC 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 (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the ISOP's obligations under condition E7 (Transmission system security standard and quality of service) of the electricity system operator licence to co-

ordinate and direct the flow of electricity onto and over the national electricity transmission system.

2. The licensee shall no later than 2 months after the end of the financial year as required by the ISOP, provide to the ISOP all such information as may be necessary or as the ISOP may reasonably require by paragraph E7.6 of the electricity system operator licence for the purpose of submitting a report to the Authority in compliance with paragraph 3 of condition E7 (Transmission system security standard and quality of service) of the electricity system operator licence.

3. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.

4. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.

5. The licensee shall (subject to paragraph 6) give or send a copy of the documents (as from time to time revised) referred to in paragraph 4 to any person requesting the same.

6. The licensee may make a charge for any copy given or sent pursuant to paragraph 5 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Standard Condition F16 Functions of the Authority

1. Insofar as the ISOP wishes to proceed on the basis of a TO offer from the licensee as settled by the Authority pursuant to paragraph 13.3 of condition E13 (Functions of the Authority) of the electricity system operator licence, the licensee shall forthwith enter into an agreement with the ISOP which fully reflects the TO offer as so settled.

2. Where the Authority determines in accordance with paragraph 13.3(c)(ii) of condition E13 (Functions of the Authority) of the electricity system operator licence that a TO offer (other than those TO offers (if any) notified to the Authority in accordance with paragraph 13.3(a) of condition E13 (Functions of the Authority) of the electricity system operator licence) is required in respect of an agreement settled by the Authority pursuant to paragraph 13.2 of condition E13 (Functions of the Authority) of the electricity system operator licence and that other TO offer is required to be made by the licensee, the licensee shall prepare a TO offer which is consistent with such determination and shall submit such TO offer to the ISOP as soon as reasonably practicable after the date of such determination and, in any event, within the time periods (if any) specified in such determination.

Standard Condition F17 Prohibition on engaging in preferential or discriminatory behaviour

1. The licensee shall not unduly discriminate as between any persons or any class or classes of person or persons or unduly prefer itself or any affiliate or related undertaking over any other person or persons or any class or classes of person or persons:

   (a) in meeting its obligations under condition F13 (Obligation to provide transmission services)

   (b) in meeting its obligations under condition F15 (Transmission system security standard and quality of service)

   (c) in meeting its obligations under condition F36 (Obligations in relation to offers for connection etc);

   (d) in meeting its obligations under condition F11 (System Operator – Transmission Owner Code).

2. On notification by the Authority, the licensee shall keep and maintain such records concerning its compliance with this condition as are in the opinion of the Authority sufficient to enable the Authority to assess whether the licensee is complying with this condition and as are specified in any such notification, and the licensee shall furnish to the Authority such records (or such of these as the Authority may require) in such manner and at such times as the Authority may require.

Standard Condition F18 Prohibition on selling electricity

1. Except with the written consent of the Authority, the licensee shall not purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties except for the purpose of providing transmission services.

2. In paragraph 2, the reference to purchase or other acquisition of electricity shall include entering into or acquiring the benefit of a contract conferring rights or obligations (including rights or obligations by way of option) in relation to or by reference to the sale, purchase or delivery of electricity at any time or the price at which electricity is sold or purchased at any time.

Standard Condition F19 Requirement for sufficiently independent directors

1. Subject to paragraph 11, except and to the extent that the Authority consents otherwise, the licensee must ensure that at all times after a date which is the later of:

   (a) 1 April 20[xx]; and

(b) 12 months after this condition comes into effect in respect of the licensee,

it has at least two non-executive directors who meet the criteria set out in paragraphs 2, 3, and 5 below. In this condition such directors are referred to as “sufficiently independent directors”.

2. A sufficiently independent director must:

   (a) be a natural person;

   (b) in the reasonable opinion of the licensee, have the skills, knowledge, experience, and personal qualities necessary to perform effectively as a non-executive director of the licensee; and

   (c) not have any executive duties within the licensee’s business.

3. Except and to the extent that the Authority consents otherwise, and subject to paragraph 4, a sufficiently independent director must not be, and must not have been during the 12 months before his appointment as a director of the licensee or the coming into force of this condition (whichever is the later):

   (a) an employee of the licensee; or

   (b) a director or employee of an associate of the licensee.

4. The reference to ‘director’ in sub-paragraph 3(b) does not include appointment as a non-executive director of:

   (a) an associate of the licensee that is the holder of a gas transporter licence or an electricity transmission licence or an electricity distribution licence;

   (b) a wholly-owned subsidiary of the licensee that has been incorporated by it solely for the purpose of raising finance for a permitted purpose (as that term is defined in Standard Condition A1 (Definitions and interpretation)); or

   (c) a qualifying group company.

5. A sufficiently independent director must not:

   (a) have, or have had during the 12 months before his appointment as a director or the coming into force of this condition (whichever is the later), any material business relationship with the licensee or any associate of the licensee;

   (b) hold a remit to represent the interests of any particular shareholder or group of shareholders of the licensee or the interests of any associate of the licensee; or

   (c) receive remuneration from the licensee or any associate of the licensee apart from a director’s fee and reasonable expenses.

6. For the purposes of sub-paragraphs 5(a) and 5(c) respectively:

   (a) the holding of a small number of shares or associated rights shall not, of itself, be considered a material business relationship; and

(b) the receipt or retention of any benefit accrued as a result of prior employment by or service with the licensee or any associate of the licensee shall not be considered to be remuneration.

7. The licensee must notify the Authority of the names of its sufficiently independent directors within 14 days of the later of the two dates referred to in paragraph 1 and must notify the Authority within 14 days where any new directors are appointed to fulfil the obligation in paragraph 11 of this condition.

8. The terms of appointment of each sufficiently independent director must include a condition stipulating that both the licensee and the appointee will use their best endeavours to ensure that the appointee remains sufficiently independent during his term of office, having particular regard to the criteria set out in paragraphs 2, 3, and 5.

9. A term of appointment for a sufficiently independent director may not be for longer than eight years, but an individual may be reappointed thereafter provided that he continues to meet the criteria set out in paragraphs 2, 3, and 5.

10. The licensee must notify the Authority in writing within 14 days if any sufficiently independent director is removed from office or resigns, giving reasons for the removal or (to the extent that they are known to the licensee) the resignation. For the purposes of this requirement, the reasons for a resignation may, if appropriate, be stated to be personal reasons.

11. If at any time the licensee has fewer than two sufficiently independent directors because of a removal or resignation or other reason (including death or incapacity), the licensee must use its reasonable endeavours to ensure that a new director is, or new directors are, appointed to fulfil the obligation in paragraph 1 as soon as is reasonably practicable to bring the number of sufficiently independent directors up to at least two.

Standard Condition F20 Notification of changes that may affect eligibility for certification

1. Where the licensee has made or makes an application for certification under section 10B of the Act, if at any time prior to the Authority notifying the licensee of its certification decision under section 10D(4) of the Act the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.

2. Where the licensee has been certified, if at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its eligibility for certification, the licensee shall as soon as reasonably practicable

notify the Authority in writing of the event or circumstance and the reasons it considers that the event or circumstance may affect its eligibility for certification.

3. If at any time from the licensee knows or reasonably should know that, on or after IP completion day, any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee is or may become a person from a country outside the United Kingdom, or that a person from a country outside the United Kingdom, has or may take control of the licensee, the licensee shall as soon as reasonably practicable notify the Authority in writing.

4. If at any time from the relevant date the licensee exercises or is likely to exercise any shareholder right or right of appointment in the circumstances described in section 10M of the Act, the licensee shall as soon as is reasonably practicable notify the Authority in writing of the right that has been or is likely to be exercised and the effect of exercising that right.

5. Where the licensee has been certified, by 31 July of each year following certification the licensee shall provide the Authority with a written declaration, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, setting out:

   (a) whether any event or circumstance has occurred in the previous 12 month period since the licensee was certified, that may affect the licensee's eligibility for certification, and if so, the reasons it considers that the event or circumstance may affect its eligibility for certification;

   (b) whether, on or after IP completion day, any event or circumstance has occurred, or is likely to occur, that may cause the Authority to think that the licensee has become a person from a country outside the United Kingdom, or that a person from a country outside the United Kingdom has taken control of the licensee, in the previous 12 month period or such part of that 12 month period since the licensee was certified; and

   (c) whether the licensee has exercised any shareholder right or right of appointment in the circumstances described in section 10M of the Act in the previous 12 month period or such of that part of that 12 month period since the licensee was certified and if so the effect of exercising that right, providing that the licensee is only required to provide a written declaration under this paragraph (c) where it has been certified on the certification ground in section 10E(3) of the Act and in relation to a period that occurs after the relevant date.

Standard Condition F21 Whole electricity system obligations

Introduction

1. The purpose of this condition is to set an obligation on transmission owners to coordinate and cooperate with transmission licensees, the ISOP and electricity distributors in order to build a common understanding of where actions taken by one transmission licensee, the ISOP, or electricity distributor could have cross-network impacts (both positive and negative). This should include at a minimum sharing information and developing processes that aim to achieve optimal efficiency across the total system. The further purpose is to set an obligation on transmission owners to consider actions proposed by transmission system users that seek to advance the efficient and economical operation of its own network.

Part A: Whole electricity system coordination

2. The licensee must coordinate and cooperate with transmission licensees, the ISOP, and electricity distributors to seek to identify actions and processes that advance the efficient and economical operation of the total system.

3. The licensee must consider actions proposed by transmission system users which seek to advance the efficient and economical operation of its network.

4. The licensee must use all reasonable endeavours to implement actions or processes identified or proposed under paragraphs 2 or 3 of this condition that:

   (a) will not negatively impact its network; and

   (b) are in the interest of the efficient and economical operation of the total system

Part B: Demonstrating compliance with whole electricity system obligations

5. The licensee must prepare and is required to publish on its website a coordination register demonstrating the steps it has taken to comply with Part A of this condition not later than 12 months from the date of this condition coming into force

6. The licensee must keep up to date and is required to publish its coordination register (as updated) on its website at least once every 12 months from the date of initial publication under paragraph 5 of this condition.

Part C: Whole Electricity System Guidance

7. In satisfying the requirements of this condition the licensee must have due regard to the Whole Electricity System Guidance

Part D: Procedure for issuing and revising Whole Electricity System Guidance

8. Before issuing the Whole Electricity System Guidance under this condition the Authority by Notice given to the licensee will:

   (a) state that it proposes to issue the Whole Electricity System Guidance, and specify the date on which it proposes that the document should take effect;

   (b) set out the text of the Whole Electricity System Guidance and the Authority's reasons for proposing to issue it; and

(c) specify the date (which must not be less than a period of 28 days from the date of the Notice) by which representations with respect to the proposed Whole Electricity System Guidance may be made.

9. The Authority will consider any representations that are duly made and not withdrawn.

10. The requirements of paragraphs 8 and 9 of this condition may be satisfied by action taken before, as well as action taken after, the commencement of this condition.

11. In paragraph 8 of this condition reference to "issuing the Whole Electricity System Guidance" includes issuing any revision of the document and the procedure provided for under paragraph 8 will apply to any such revision.

Standard Condition F22 Activities restriction

1. Subject to the provisions of paragraph 2 below (made in accordance with sections 7(2A)(a) and 7(2A)(b) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) of this licence to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.

2. The licensee shall not:

   (a) co-ordinate or direct the flow of electricity onto or over the whole or any part of the National Electricity Transmission System except where permitted to do so under the STC, subject to the approval of the Authority, or where required to do so by any other licence condition; and

   (b) outside of the Transmission System Area, make available assets comprising part of the National Electricity Transmission System which are intended for the purpose of conveying or affecting the flow of electricity, except in relation to transmission assets specified in a direction issued by the Authority to the licensee pursuant to condition F50 (CATO of Last Resort)

Standard Condition F23 Conduct of the Transmission Business

1. The licensee shall conduct its Transmission Business in the manner best calculated to secure that, in complying with its obligations under this licence:

   (a) the licensee;

   (b) any Affiliate or Related Undertaking of the licensee that is a Subsidiary of, or is controlled by the Ultimate Controller of, the licensee including, for the avoidance of doubt, any Affiliate or Related Undertaking that is participating, or intends to participate in a competitive tender exercise to be appointed as a CATO;

(c) any user of the National Electricity Transmission System; and

(d) any other Transmission Licensee; obtains no unfair commercial advantage including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the licensee, one in connection with a business other than its Transmission Business.

2. Except insofar as the Authority may direct, the licensee shall secure and procure separate premises, equipment, systems for recording and storing data, facilities, staff, and property from those owned by the licensee and:

   (a) those owned by the ISOP responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; and

   (b) those owned by any Associated Business of the licensee that is authorised to generate or supply electricity.

Standard Condition F24 Separation and independence of the Transmission Business

1. The licensee, in carrying out its licensed activities, shall put in place and at all times maintain such systems of control and other governance arrangements which are necessary to ensure that the licensee complies with the obligations contained in condition F4 (Prohibition of cross-subsidies), condition F5 (Restriction on activity and financial ring-fencing), and condition F23 (Conduct of the Transmission Business).

2. Unless otherwise directed by the Authority, the licensee shall by no later than 30 days after this condition comes into force have in place a statement ("the statement"), approved by the Authority, describing the practices, procedures and systems which the licensee has adopted (or intends to adopt) to secure compliance with paragraph 1 and in particular (but without prejudice to the generality of paragraph 1) ensure compliance with paragraph 4.

3. Where the Authority does not indicate otherwise within 60 days of receipt of the statement, the statement shall be deemed to be approved by the Authority.

4. The licensee shall:

   (c) maintain appropriate managerial and operational independence of the licensee from any Associated Business in undertaking its activities under its licence;

   (d) except insofar as the Authority consents to the licensee not doing so, ensure that:

      (i) any Associated Business of the licensee that is the ISOP responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; and

(ii) any Associated Business of the licensee that is authorised to generate or supply electricity

shall not use or have access to:

A. premises or parts of premises occupied by persons engaged in, or engaged in respect of, the management or operation of the Transmission Business or any External Transmission Activities;

B. systems for the recording, processing or storage of data to which persons engaged in, or engaged in respect of, the management or operation of the Transmission Business or any External Transmission Activities also have access;

C. equipment, facilities or property employed for the management or operation of the Transmission Business or any External Transmission Activities; or

D. the services of persons who are (whether or not as their principal occupation) engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities; and

(iii) it can and does, insofar as is legally possible, prevent any person who has ceased to be engaged in, or in respect of, the management or operation of the Transmission Business from being engaged in, or in respect of, the activities of any Associated Business of the licensee until the expiry of an appropriate time from the date on which he ceased to be engaged by the Transmission Business, where that Associated Business is either:

A. the ISOP responsible for co-ordinating and directing the flow of electricity onto or over the National Electricity Transmission System; or

B. authorised to generate or supply electricity.

5. The managerial and operational independence referred to in paragraph 4(a) above shall include the establishment of separate boards of directors for the Transmission Business and for any Associated Businesses.

6. Further to paragraph 5 each member of such boards of directors or executives for Associated Businesses who is also a director of the offshore Transmission Business shall fulfil their role in relation to the taking of decisions as if he or she were a director of a legally incorporated company whose sole business is the business in respect of which the board he or she is a member of has been established.

7. The licensee shall revise the statement prepared in accordance with paragraph 2 when circumstances change such that the statement prepared in accordance with paragraph 2 no

longer secures compliance with paragraphs 1 and 4 and such revision of the statement shall only become effective once the Authority has approved the revised statement in accordance with paragraph 2 or 3.

8. The licensee shall use its best endeavours to ensure compliance with the terms of the statement as from time to time revised and approved by the Authority.

9. The licensee shall publish a copy of the approved statement prepared in accordance with paragraph 2 (or the latest approved revision) on its company website within 7 days of its approval by the Authority.

Standard Condition F25 Restriction on use of certain information

1. Any information relating to or deriving from the management or operation of the Transmission Business shall, for the purposes of this condition, be treated as Confidential Information.

2. The licensee shall not (and shall procure that its Affiliates and Related Undertakings shall not) disclose or authorise access to Confidential Information:

    (a) save to the extent provided by sub-paragraphs 3 (b) to (d) to such of its (or its Affiliates' or Related Undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of any other business (whether or not a separate business) of the licensee; or

    (b) save to the extent permitted by paragraph 3, to any other person.

3. The licensee shall (and shall procure that its Affiliates and Related Undertakings shall) disclose or authorise access to Confidential Information only:

    (a) in the following circumstances, namely:

        (i) to such of its (or its Affiliates' or Related Undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of the Transmission Business or any External Transmission Activities and who require access to the information for that purpose;

        (ii) to personnel of any holder of a Transmission Licence engaged in the External Transmission Activities of that Transmission Licence holder, to the extent necessary for the performance by such personnel of those External Transmission Activities, and the use by such personnel of that information for that purpose;

    provided that effective arrangements are maintained in place at all times for ensuring that no further disclosure of any information supplied or obtained pursuant to this paragraph is made and that such information is used only for the purpose of the Transmission Business of the licensee or any External Transmission Activities of the licensee;

(b) where the licensee (or any Affiliate or Related Undertaking of the licensee) is required or permitted to disclose such information by virtue of:

(i) any requirement of a Competent Authority;

(ii) the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which it is required by virtue of the Act or that licence to comply;

(iii) any other requirement of law; or

(iv) the rules of the of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;

(c) where such information was provided by or relates to any person who has notified (or otherwise agreed with) the licensee that it need not be treated as confidential;

(d) where such information, being information provided by or relating solely to the licensee, is placed by the licensee in the public domain; or

(e) where such information is required for the purposes of assisting the ISOP, to prepare for and plan and develop the operation of the National Page 34 of 96 Electricity Transmission System and in each case the licensee shall disclose or authorise access to the Confidential Information only insofar as is necessary or appropriate in all the circumstances.

4. The licensee shall use all reasonable endeavours to ensure that any person who is in possession of or has access to Confidential Information in accordance with subparagraph 3(a) shall use such information only for the purposes of the Transmission Business or any External Transmission Activities.

Standard Condition F26 Appointment of compliance officer

1. The licensee shall, following consultation with the Authority, appoint a competent person (who shall be known as the "Compliance Officer") for the purpose of facilitating compliance by the licensee with this condition and with condition F4 (Prohibition of cross-subsidies), condition F5 (Restriction on activity and financial ring-fencing), condition F23 (Conduct of the Transmission Business), condition F24 (Separation and Independence of the Transmission Business) and condition F25 (Restriction on use of certain information) (the "relevant duties").

2. The licensee shall at all times engage the services of the Compliance Officer for the performance of duties and tasks including those set out in paragraph 7 and any other

duties and tasks as the licensee considers it appropriate to assign to him for the purposes specified in paragraph 1.

3. The licensee shall ensure that the Compliance Officer is not engaged in any activity of the Licensee's Transmission System other than the activity of being a Compliance Officer. Except to the extent that the Authority consents otherwise, the licensee shall ensure that the Compliance Officer is not engaged in any activity of any Associated Business other than the activity of being a Compliance Officer.

4. The licensee shall establish a compliance committee (being a committee of the board of directors of the licensee) for the purpose of overseeing and ensuring the performance of the duties and tasks of the Compliance Officer set out in paragraph 7 and the compliance of the licensee with its relevant duties. Such a compliance committee shall report to the board of directors of the licensee and shall include among its members a director responsible for day-to-day compliance with the activities of this licence and such persons from within the licensee's business as are responsible for the management of regulatory issues relating to the licence.

5. The licensee shall procure that the Compliance Officer: (a) is provided with such staff, premises, equipment, facilities and other resources; and (b) has such access to its premises, systems, information and documentation as, in each case, he might reasonably expect to require for the fulfilment of the duties and tasks assigned to him.

6. The licensee shall make available to the Compliance Officer a copy of any complaint or representation received by it from any person in respect of a matter arising under or by virtue of the relevant duties.

7. The duties and tasks assigned to the Compliance Officer shall include:

   (a) providing relevant advice and information to the licensee for the to the licensee for the purpose of ensuring its compliance with the relevant duties;

   (b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee in accordance with the statement referred to in condition F24 (Separation and Independence of the Transmission Business) and reporting thereon. This shall include, but not be limited to: (i) ensuring the contracts of employment or engagement of relevant personnel shall include a statement on the importance of not disclosing information to other parties set out in paragraph 2 of condition F23 (Conduct of the Transmission Business). For this purpose a relevant member of staff or external person or consultant acting in such a role is anyone who are aware of any information which could enable any unfair commercial advantage being obtained including, in particular, any such advantage from a preferential or discriminatory arrangement, being, in the case of such an advantage accruing to the licensee, one in connection with a business other than its Transmission Business; (ii) ensuring that each of the processes required under the Standard Conditions is monitored in respect of the effectiveness of its practices, procedures, systems and the supervision and sign off process relating to the release of information which could enable an unfair commercial advantage to be obtained by the parties set out in paragraph 2 of condition F23 (Conduct of the Transmission Business);

(c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as to reasonably admit the required co-operation;

(d) investigating any complaint or representation made available to him in accordance with paragraph 6;

(e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;

(f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 4 of this condition, for the purpose of ensuring its implementation of:

(v) the practices, procedures and systems adopted in accordance with the statement referred to in paragraph 2 of condition F24 (Separation and Independence of the Transmission Business); and

(vi) any remedial action recommended in accordance with sub-paragraph (e);

(g) reporting to the compliance committee any instances which come to his attention, relating to a member of any of the boards established under paragraph 5 of condition F24 (Separation and Independence of the Transmission Business), taking into account the interests of a business other than that in respect of which the board of which he is a member of has been established;

(h) reporting annually to the compliance committee established under paragraph 4 of this condition, in respect of each year after this condition comes into force, as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee; and

(i) reporting annually to the board of directors of the licensee as to his activities during the period covered by the report, including the fulfilment of the other duties and tasks assigned to him by the licensee.

8. As soon as is reasonably practicable following each annual report of the compliance officer, the licensee shall produce a report in a form approved by the Authority detailing: (a) its compliance during the Relevant Year with the relevant duties; and (b) its implementation of the practices, procedures and systems adopted in accordance with the

statement referred to in paragraph 2 of condition F24 (Separation and Independence of the Transmission Business).

9. The report produced in accordance with paragraph 8 shall in particular:

   (a) detail the activities of the Compliance Officer during the Relevant Year;

   (b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems adopted in accordance with the statement referred to in paragraph 2 of condition F24 (Separation and Independence of the Transmission Business); and

   (c) set out the details of any investigations conducted by the compliance officer, including:

      (i) the number, type and source of the complaints or representations on which the investigations were based;

      (ii) the outcome of the investigations; and

      (iii) any remedial action taken by the licensee following such investigations;

   (d) be accompanied by a certificate, approved by a resolution of the board of directors of the licensee and signed by a director pursuant to that resolution, on the degree to which the licensee has achieved compliance with its relevant duties and that the report of the compliance officer fairly presents the licensee's compliance with its relevant duties.

10. The licensee shall, as soon as reasonably practicable, submit to the Authority a copy of the report produced in accordance with paragraph 8 of this condition along with any supporting information and the licensee shall also publish a copy of the report on its website.

Standard Condition F27 Excluded services

Part A: Statement of General Principle

1. The General Principle is that a service provided by the licensee as part of its Transmission Business is to be treated as an Excluded Service if and to the extent that the service is not already remunerated for under charges for Transmission Owner Services in accordance with condition F41 (Basis of Transmission Owner Charges).

2. The services referred to in paragraph 1 include (without prejudice to the foregoing):

   (a) the making available of Transmission Owner Services;

   (b) the carrying out of works for the installation of electric lines or electrical plant for the purpose of maintaining or upgrading the Licensee's Transmission

System (not otherwise payable in respect of connections to the Licensee's Transmission System);

(c) the carrying out of works or the provision of maintenance or repair in relation to the Licensee's Transmission System for the purpose of enabling the licensee to comply with condition F11 (System Operator – Transmission Owner Code) and condition F15 (Transmission system security standard and quality of service), the Electricity Safety, Quality and Continuity Regulations 2002 or any regulations made under section 29 of the Act or any other enactment relating to safety or standards applicable in respect of the Transmission Business; and

(d) the provision, installation and maintenance of any meters, switchgear or other electrical plant ancillary to the licensee's provision of Transmission Owner Services.

Part B: Categories of Excluded Services

3. Subject to Part A of this condition, Excluded Services will include, but are not limited to, the following services:

(a) Connection services: The whole or an appropriate proportion (as the case may be) of the charges of the type described in condition F41 (Basis of Transmission Owner Charges) and borne by any person as connection charges in respect of connections made after the grant of this licence, (but only to the extent that the service is not already remunerated under one of the charges set out at paragraph 7 of this condition).

(b) Diversionary works under an obligation: This category consists of the relocating of any electric line or electrical plant (including the carrying out of any associated works) pursuant to any statutory obligation other than one imposed on the licensee under section 9(2) (General duties of licence holders) of the Act, where the statutory obligation makes provision for the reimbursement of the costs incurred.

(c) Outage Changes: The net costs reasonably incurred by the licensee as a result of any Outage Change declared to the ISOP and which are agreed by the ISOP. Where there is a failure to agree the costs payable to the licensee, they may be determined by the Authority following the provision by the licensee of such information as the Authority may reasonably request. Any revenues received by the licensee from the ISOP in respect of a Non-Chargeable Outage Change shall not be regarded as Excluded Service revenues under this condition.

(d) Miscellaneous. With the approval of the Authority, the provision of any other service that:

(i) is for the specific benefit of any third party who requests it; and

(ii) is not made available by the licensee as a normal part of the Transmission Business remunerated under F42 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services), may be treated as an Excluded Service.

Part C: Authority's power to give directions

4. Where the Authority (having regard to the General Principle) is satisfied:

   (a) that any service treated by the licensee as an Excluded Service should not be so treated; or

   (b) that any service not treated by the licensee as an Excluded Service should be so treated, it may issue to the licensee a direction to that effect.

5. Any directions issued under paragraph 4 shall take effect from the date of issue of such directions or such earlier date as may be specified in the directions (being not earlier than the commencement of the Relevant Year to which the information relating to excluded services last furnished pursuant to the offshore regulatory reporting - regulatory instructions and guidance directed by the Authority pursuant to condition F14 (Regulatory Instructions and Guidance (RIGs)) related, unless such information, or any such information provided earlier, was incorrect or misleading in any material respect, as may be specified in the directions).

Standard Condition F28 Ongoing Fit and Proper Requirement*

[*This policy is currently being considered at an organisational level. Ofgem's determination on Ongoing Fit and Proper Requirements will also apply to CATO licensees]

Standard Condition F29 Project Specification / Technical Annex

1. The purpose of this condition is to establish the licensee's obligation to plan and develop the licensee's transmission system to meet the requirements of the Technical Specification and to provide information to the Authority in respect of this obligation.

Obligation of the licensee

2. The licensee shall at all times prior to the TRS Commencement Date plan and develop the licensee's transmission system in accordance with;

   (a) in respect of the Pre-Construction Works, Part A of the Technical Specification and the Initial Bid Design and Parameters;

   (b) in respect of Construction, Part B of the Technical Specification and the Post Adjustment Technical Specification; and

   (c) in respect of Commissioning of the transmission system, Part C of the Technical Specification and the Post Adjustment Technical Specification.

3. The licensee must provide information to the Authority in accordance with condition F14 Regulatory Instructions and Guidance and upon reasonable request by the Authority that enables the Authority to assess whether the licensee is planning and developing the licensee's transmission system in accordance with the Technical Specification and, where applicable, the Post Adjustment Technical Specification

4. The licensee must upon reasonable request by the Authority procure a report by an independent expert, that states whether in the expert's opinion, that the licensee is planning and developing the licensee's transmission system in accordance with the Technical Specification and, where applicable, the Post Adjustment Technical Specification.

Standard Condition F30 Provision of Information to the Authority

1. Subject to paragraphs 5 and 7, the licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:

   (a) any functions transferred to or conferred on it by or under the Utilities Act 2000; and

   (b) the regulatory functions conferred on the Authority by other statute or enactment.

2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an Ultimate Controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that the Ultimate Controller ("the information covenantor") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and the licensee's subsidiaries) will give to the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an Ultimate Controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an Ultimate Controller of the licensee.

3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.

4. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any Ultimate Controller of the licensee or, where the Ultimate Controller is a corporate body, any of the subsidiaries of such a corporate Ultimate Controller (other than the subsidiaries of the licensee) at a time when:

   (a) an undertaking complying with paragraph 2 is not in place in relation to that Ultimate Controller; or

   (b) there is an unremedied breach of such undertaking; or

   (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.

5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 47 of the Act.

6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as the transmission licensee) which the Authority proposes to publish pursuant to section 48 of the Act.

7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.

8. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Standard Condition F31 Provision of information to the ISOP

9. The purpose of this condition is to set out when the licensee shall provide estimates of its Allowed Transmission Owner Revenue (CATOt) to the ISOP and the Authority.

10. In the Commencement Relevant Year, the licensee shall, as soon as reasonably practicable,

   (a) notify the ISOP of its best estimate for the value of CATOt in respect of the Commencement Relevant Year; and

   (b) notify the ISOP of its best estimate for the value of CATOt+1;

where:

CATOt means the Allowed Transmission Owner Revenue in the Relevant Year t calculated in accordance with condition F42 (Restriction of Transmission Revenue from Transmission Owner Services).

11. In each Relevant Year subsequent to the Commencement Relevant Year, the licensee shall, on or before 1 November (or such later date as the Authority may direct),

    (a) notify the ISOP of its latest best estimate for the value of CATOt; and

    (b) notify the ISOP of its latest best estimate for the value of CATOt+1.

12. The licensee shall, at all times, keep under review the estimates notified to the ISOP pursuant to paragraphs 2 or 3. If at any time the licensee reasonably considers that the values of CATOt and/or CATOt+1 notified to the ISOP will be significantly different from the estimates previously notified to the ISOP, the licensee shall notify the ISOP of the revised values for CATOt and/or CATOt+1 as soon as reasonably practicable.

13. In each Relevant Year subsequent to the Commencement Relevant Year, the licensee shall, by 30 June (or such later date as the Authority may direct), provide a statement to the Authority showing:

    (a) the values of CATOt and CATOt+1 notified to the ISOP in the Relevant Year t-1 in accordance with paragraph 2 or paragraph 3 of this condition; and

    (b) any revised values of CATOt and CATOt+1 notified to the ISOP in the Relevant Year t-1 in accordance with paragraph 4 of this condition.

Standard Condition F32 Data assurance requirements

Part A: Licensee's obligations

1. The licensee must:

    (a) comply with the provisions of the Data Assurance Guidance;

    (b) where required to provide Data under the provisions of this licence, provide Data which complies with the requirements set out in the Data Assurance Guidance;

    (c) subject to paragraph 4, where required to provide Data under the provisions of this licence, provide accurate and complete Data;

    (d) carry out a Risk Assessment in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance, and ensure that it has used its best endeavours to mitigate such risks as it has identified in that assessment;

(e) if directed by the Authority, procure an independent review of its Data Assurance Activities in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance; and

(f) provide to the Authority, in accordance with such provisions and timescales as are specified for that purpose in the Data Assurance Guidance, reports that contain:

(iii) the results of the licensee's Risk Assessment conducted under subparagraph (c);

(iv) a description of the Data Assurance Activities that the licensee intends to undertake concerning expected future Data submissions for the relevant reporting period set out in the Data Assurance Guidance;

(v) a description of the Data Assurance Activities undertaken by the licensee concerning previously submitted Data for the relevant reporting period set out in the Data Assurance Guidance; and

(vi) if required, the details and results of the independent review procured by the licensee of its Data Assurance Activities.

2. Data provided to the level of accuracy and reliability required under the relevant licence condition will be considered to be accurate and complete for the purposes of this condition.

3. The licensee must have in place and maintain appropriate systems, processes, and procedures to enable it to perform its obligations under paragraph 3.

4. The licensee must comply with any direction given by the Authority that requires it to carry out (or, where appropriate, to procure and facilitate the carrying out of) a specific Data Assurance Activity in accordance with the provisions of Part C.

Part B: Data Assurance Guidance

5. The Authority will issue and amend the Data Assurance Guidance by direction.

6. The Authority will publish the Data Assurance Guidance on the Authority's Website.

7. The Data Assurance Guidance will include, or make provision for, any of the following matters:

(a) the Data to which the Risk Assessment applies;

(b) the format (including its form, layout, scope and content) of the Risk Assessment;

(c) the frequency with which and the timescales within which the Risk Assessment is required to be carried out;

(d) the format (including its form, layout, scope and content) of any independent review that may be required of the licensee's Data Assurance Activities and the associated reporting requirements;

(e) the format (including its form, layout, scope and content) of the reporting requirements detailed in paragraph 3(e);

(f) the frequency with which and the timescales within which the licensee should report on its Data Assurance Activities to the Authority; and

(g) the time period(s) to which required reports must relate.

8. The provisions of the Data Assurance Guidance will not exceed what is required to achieve the purposes of this condition, having regard to the materiality of the costs likely to be incurred by the licensee in complying with those provisions relative to the impact on consumers of data reporting errors.

9. Information requested by the Authority under or pursuant to the requirements of the Data Assurance Guidance will not exceed what could be requested from the licensee by the Authority pursuant to Condition F30 (Provision of information to the Authority).

10. Before issuing or amending the Data Assurance Guidance by direction the Authority will publish on the Authority's Website:

(a) the proposed text of the new or amended Data Assurance Guidance;

(b) date on which the Authority intends the new or amended Data Assurance Guidance to come into effect;

(c) the reasons for the new or amended Data Assurance Guidance; and

(d) a period during which representations may be made on the new or amended Data Assurance Guidance, which will not be less than 28 days.

Part C: Licensee's obligation to carry out a Data Assurance Activity

11. The licensee must comply with any direction by the Authority requiring the licensee to carry out (or, where appropriate, to procure and facilitate the carrying out of) such Data Assurance Activity as may be specified in the direction.

12. Before issuing a direction under paragraph 12 the Authority will publish on the Authority's Website:

(a) the text of the proposed direction;

(b) the date on which the Authority intends the direction to come into effect;

(c) the reasons why it proposes to issue the direction; and

(d) a period during which representations may be made on the proposed directions which will not be less than 28 days.

13. The direction will set out:

(a) a description of the Data Assurance Activity to be carried out by the licensee (or, where appropriate, by a person nominated by the Authority) for the purpose of ensuring the accuracy and completeness of data provided to the Authority;

(b) that, if it refers to a person nominated by the Authority, the steps that must be taken by the licensee to procure and facilitate the carrying out of that activity by that person;

(c) contain a description of the Data to which the activity that is described in the direction must apply;

(d) contain an explanation of why the Authority requires the licensee to carry out that activity;

(e) specify any relevant dates by which that activity must be completed; and

(f) specify the form and content of any information relating to that activity that the licensee must provide to the Authority.

Part D: Derogations

14. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Standard Condition F33 (blank)

1. Not used. [intentionally blank]

Standard Condition F34 Equity transaction reporting requirement

1. Following licence grant, the licensee shall prepare and submit to the Authority by 31 July of each year details of any Relevant Equity Transaction(s) that took place in the previous Relevant Year. The licensee may, with the prior consent of the Authority, not provide certain details of the Relevant Equity Transaction where the Authority is satisfied that the licensee cannot provide such details.

2. Subject to paragraph 4, details to be prepared and submitted to the Authority for the purpose of paragraph 1 shall include:

(a) the date of the transaction(s);

(b) the value of the transaction(s);

(c) where applicable, the number of shares in the licensee transferred, issued or bought back and the percentage of the total shares of the licensee this represents; and

(d) where applicable, the percentage of the licensee now owned by the new Ultimate Controller(s).

3. The licensee's initial submission to the Authority under paragraph 2 should also include details of the quantity and value of equity invested in the licensee at the point of Asset Transfer.

4. Where a Relevant Equity Transaction occurs as part of a transaction involving the issue, sale (or otherwise transfer) or buy back of shares in a company of which the licensee or a holding company of the licensee is a subsidiary, details of the value of the transaction provided to the Authority under paragraph 2 shall relate only to the value placed on the licensee for the purpose of that transaction.

5. Where licence grant falls between 1 January and 31 March of any year the reporting requirements specified in paragraph 2 will not be required on the first 31 July following licence grant. In such circumstances the information reporting requirements specified in paragraph 2 shall be prepared and submitted on the second 31 July following licence grant and must cover the period from licence grant to the end of the following Relevant Year (t=2).

Standard Condition F35 Sulphur Hexafluoride reporting requirements

1. The licensee must, in accordance with condition F14 (Regulatory Instructions and Guidance), prepare and submit to the Authority details of the sulphur hexafluoride emissions arising directly or indirectly from the operations and activities of the licensee's Transmission Business during the Relevant Year.

2. Any RIGs issued under condition F14 (Regulatory Instructions and Guidance) may, in particular, include provision about or impose requirements in respect of:

   (a) the form in which the licensee is to prepare and present its sulphur hexafluoride emissions information;

   (b) the inclusion within the submission of a standard template for the presentation of information in a common format; and

   (c) the matters that are to be explained by the licensee in a commentary to accompany the submission, including, in particular the data sources and processes relied upon by the licensee for the purposes of recording or estimating sulphur hexafluoride emissions.

3. The provisions of the Regulatory Instructions and Guidance (RIGs) must not exceed what is reasonably required to achieve the purpose of this condition.

4. At the same time in each Relevant Year as it submits its sulphur hexafluoride emissions to the Authority, the licensee must also:

(a) publish that information in such manner as the licensee believes will ensure adequate publicity for it (for example by making it readily accessible from the licensee's website); and

(b) give or send a copy of that information to any person who requests one.

5. The licensee may charge for any information given or sent pursuant to paragraph 4(b). The amount of the charge must reflect the licensee's reasonable costs of providing such a statement and must not exceed the maximum amount specified in any directions issued by the Authority for the purposes of this condition.

Standard Condition F36 Additional Works: obligations in relation to offers for connections etc

1. Before this condition comes into effect, the licensee shall have entered into an agreement with the ISOP in accordance with the STC.

2. On notification by the ISOP of:

    (i) receipt of an application for connection or for modification to an existing connection, in accordance with paragraph E12.5 of condition E12 (Requirement to offer terms) of the Electricity System Operator Licence by a person who is required to meet and whom the ISOP is satisfied meets the Gate 2 Criteria, or a person who is not required to meet the Gate 2 Criteria; or

    (ii) A notice from the ISOP that the licensee shall carry out an action to facilitate the NOA process in accordance with Condition C13 (The Network Options Assessment (NOA) process and reporting requirements) of the Electricity System Operator Licence,

the licensee shall (subject to paragraph 3 and paragraph 5), offer to enter into an agreement with the ISOP, that makes detailed provision regarding:

(a) the carrying out of work (if any) on the licensee's Transmission System required to connect the national electricity transmission system to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;

(b) the carrying out of works (if any) on the licensee's Transmission system in connection with the extension or reinforcement of the licensee's Transmission system which is rendered (in the licensee's discretion) appropriate or necessary by reason of making the connection or modification to an existing connection to the national electricity transmission system and for the obtaining of any consents necessary for such purpose;

(c) where the ISOP requests the same, the installation of meters (if any) on the licensee's Transmission system required to enable the ISOP to measure electricity being accepted onto the national electricity transmission system at the specified entry point or points or leaving such system at the specified exit point or points;

(d) the date by which any works required on the licensee's Transmission system to facilitate access to the national electricity transmission system (including for this purpose any works on the licensee's Transmission system to reinforce or extend the licensee's Transmission system) or to facilitate the NOA process shall be completed (time being of the essence unless otherwise agreed by the ISOP);

(e) such costs as may be directly or indirectly incurred in carrying out the works, the extension or reinforcement of the licensee’s Transmission System or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters, which works are detailed in the offer; such further terms as are or may be appropriate for the purpose of the agreement; and

(f) in providing such information, the licensee shall co-operate and co-ordinate its activities with other STC parties in accordance with the STC.

3. On notification by the ISOP of receipt on or after the BETTA go-live date of an application made in accordance with paragraph E12.7 of condition E12 (Requirement to offer terms) the Electricity System Operator Licence by any person, or made in accordance with paragraph E12.5 by a person who is required to meet but does not meet the Gate 2 Criteria, the licensee shall (subject to paragraph 3 and paragraph 5), provide an information submission to the ISOP that makes provision regarding:

   (a) indicative date of connection;

   (b) indicative point of connection; and

   (c) such further information as is or may be appropriate.

4. Subject to paragraph 6, the licensee shall, after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer, offer terms in accordance with paragraph 2 and 3 above as soon as practicable and (except where the Authority consents to a longer period) in accordance with the time periods specified for this purpose in the STC.

5. On notification by the ISOP in accordance with paragraph E12.4 of condition E12 (Requirement to offer terms) of the Electricity System Operator Licence of receipt by the ISOP of an application for use of system, the licensee shall (subject to paragraph 5), where the ISOP requests that it do so in accordance with the STC, offer to enter into an agreement with the ISOP in respect of such application in the manner provided in the

STC and for the purposes of making such offer shall cooperate and co-ordinate its activities with other STC parties in accordance with the STC.

6. The licensee shall not be obliged pursuant to this condition to offer to enter into or to enter into any agreement pursuant to this condition if to do so would be likely to involve the licensee:

   (a) being in breach of its duties under section 9 of the Act;

   (b) being in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business;

   (c) being in breach of its licence conditions; or

   (d) incurring costs equal to or in excess of 50 per cent of the Cumulative Relative Increase in Capex incurred by the licensee in respect of the licensee's Transmission system, such amount to be cumulative over the lifetime of the transmission system,

7. Where the licensee is not obliged pursuant to this condition to offer to enter into or to enter into an agreement with the ISOP, the licensee shall notify the ISOP of that fact (and of the fact that it does not intend to offer to enter into or to enter into an agreement pursuant to paragraph 2 or paragraph 4) as soon as practicable in accordance with the STC, including providing duly substantiated reasons to the ISOP for not offering to enter into or not entering into any agreement.

Standard Condition F37 Requirements of a connect and manage connection

1. On notification by the ISOP of receipt by it (on or after the connect and manage implementation date) of a connect and manage application in accordance with paragraph 1 of standard condition C26 (Requirements of a connect and manage connection), the licensee shall comply with condition F36 (Obligations in relation to offers for connection etc) and in so doing shall also comply with the requirements of this condition.

2. When offering to enter into an agreement with the ISOP (in accordance with paragraph 1 of condition F36 (Additional Works: Obligations in relation to offers for connections etc) in respect of a connect and manage application on or after the connect and manage implementation date, the licensee shall:

   (a) determine by reference to the connect and manage derogation criteria whether a connect and manage derogation is required for the connect and manage connection; and

   (b) where the licensee concludes that a connect and manage derogation is required, submit a connect and manage derogation report to the ISOP in accordance with condition F15 (Transmission system security standard and quality of service) as part of the TO offer.

3. The licensee shall use all reasonable endeavours to complete the enabling works required on the licensee's Transmission System in relation to a connect and manage application in a timescale which allows for a connect and manage connection consistent with the connect and manage applicant's reasonable expectations as to connection date, as notified to the licensee by the ISOP.

4. The licensee shall use all reasonable endeavours to complete the wider works identified as required on the licensee's transmission system in relation to a connect and manage application as soon as reasonably practicable. On completion of the wider works, any applicable connect and manage derogation shall cease to have effect.

5. The licensee shall cooperate and coordinate with the ISOP and other STC parties as necessary in order to facilitate the ISOP's obligation to make offers to connect and manage transferees within the specified timescale so that their terms are consistent with a connect and manage offer.

6. The licensee shall use all reasonable endeavours to ensure that:

   (a) persons seeking connection other than through a connect and manage application; or

   (b) persons already connected or offered terms for connection prior to the connect and manage implementation date, are not disadvantaged without objective justification as a result of connect and manage connection.

7. The licensee shall cooperate and coordinate with the ISOP and other STC parties as necessary in order to facilitate the ISOP's obligation to furnish to the Authority such information and reports as the Authority may reasonably require or as may be necessary for the purposes of monitoring the impact and effectiveness of connect and manage connections. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under condition F30 (Provision of information to the Authority).

Standard Condition F38 Duration of the revenue restriction provisions

1. The purpose of this condition is to enable the licensee to make a formal request for the disapplication of the Charge Restriction Conditions (in whole or in part) and for such provisions to be disapplied following such a request in the circumstances specified below.

Part A: Conditions are to continue subject to disapplication

2. The Charge Restriction Conditions shall apply for as long as this licence continues in force, but shall cease to have effect (in whole or in part, as the case may be) if the

licensee delivers to the Authority a Disapplication Request in accordance with the provisions of Part B and C below and:

(a) the Authority agrees in writing to the Disapplication Request; or

(b) the application of the Charge Restriction Conditions (in whole or in part) is terminated by notice given by the licensee in accordance with the provisions of Part D below.

Part B: Procedure for making a Disapplication Request

3. The licensee may ask the Authority to consent to the disapplication of the Charge Restriction Conditions (in whole or in part) by serving a Disapplication Request on the Authority under this condition.

4. A Disapplication Request pursuant to this condition shall:

(a) be in writing and addressed to the Authority;

(b) specify those of the Charge Restriction Conditions (or any part or parts of them) to which the request relates;

(c) provide a full statement of the licensee's reasons for making the request;

(d) contain such other information that would enable the Authority to fully assess the Disapplication Request; and

(e) state the date (which must not be earlier than the appropriate date that is mentioned in Part C below) from which the licensee wishes the Authority to agree that the specified Charge Restriction Conditions (or part or parts of them) shall cease to have effect (the "Disapplication Date").

5. If, within 28 days of the receipt of a Disapplication Request, the Authority gives notice to the licensee:

(a) specifying further information that it reasonably considers is required in order to fully assess the Disapplication Request, and

(b) requests the licensee to provide that information,

the Disapplication Request shall be treated for the purposes of paragraph 2 of this condition as not delivered to the Authority until that further information is provided to the Authority and if, as a consequence, the Disapplication Date set out in the Disapplication Request no longer complies with paragraph 7 below, the Disapplication Date shall be treated as being the earliest date that would comply with that paragraph.

6. The licensee may withdraw a Disapplication Request at any time.

Part C: Date from which a disapplication may take effect

7. Except where the Authority agrees otherwise, no disapplication following delivery of a Disapplication Request pursuant to this condition shall have effect earlier than the date which is the later of:

    (a) a date being not less than 12 months after delivery of the Disapplication Request; and

    (b) the closing date, being not less than 35 calendar years after the date of grant of this Transmission Licence.

Part D: Licensee's right to terminate under a Disapplication Request

8. If the licensee has delivered to the Authority a Disapplication Request that complies with the requirements of Part B and has an effective date consistent with Part C of this condition, it may subsequently give the Authority a notice (a "Disapplication Notice") that terminates the application of some or all of the provisions of this Licence specified in that request:

    (a) in the circumstance described in paragraph 9 of this condition; or

    (b) in the circumstance described in paragraph 10 of this condition,

    but in either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part C of this condition.

9. The circumstance referred to in paragraph 8(a) above is that by the beginning of the period of six (6) months that would end on the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Act relating to the modification of:

    (a) the Charge Restriction Conditions (in whole or in part) to which the Disapplication Request applies; or

    (b) this condition so as to remove the licensee's right to give the Authority a Disapplication Notice under this condition in respect of the relevant Disapplication Request.

10. The circumstance referred to in paragraph 8(b) above is that the Authority has published a decision under section 11A(7) of the Act as described in paragraph 9(a) or 9(b) and:

    (a) the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority as provided for by section 11C of the Act;

    (b) the Competition and Markets Authority, acting under section 11F of the Act, has, in respect of the provision to which the Disapplication Notice relates: (i) quashed the Authority's decision; and (ii) neither remitted the matter back to the Authority under section 11F(2)(b) of the Act nor substituted its own decision for that of the Authority's under section 11F(2)(c) of the Act; and

(c) no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph 10(b) above.

Standard Condition F39 Requirement for security during construction

1. The purpose of this condition is to require the licensee to put in place security arrangements in respect of the delivery of the development of the licensee's Transmission System.

Security Arrangements

2. The licensee must:

   (a) put in place and thereafter maintain Delivery Security Arrangements that comply with paragraph 2 and that cover the Protected Amount, as calculated pursuant to paragraph 5 below for the duration of the Security Period; and

   (b) confirm to the Authority that the Delivery Security Arrangements Protect the Protected Amount.

3. Unless the Authority otherwise consents, the Delivery Security Arrangements must be one or more of the following:

   (a) Letter of Credit;

   (b) First Demand Guarantee; or

   (c) cash deposited in a Delivery Security Trust Account.

4. The licensee's Delivery Security Arrangements must be notified to the Authority in the form published on the Authority website and which the Authority may from time-to time revise following consultation.

Calculating the Protected Amount

5. The Protected Amount shall be the amount specified in a direction from the Authority at or around the date of grant of this licence. Thereafter, it shall reduce in accordance with the table below:

Capital Investment Demonstrated (£)	Protected Amount
[…]	As directed

Reporting of Security Arrangements

6. Every 6 months following the grant of this licence until the end of the Security Period, the Licensee shall provide to the Authority:

(a) its calculation of the Protected Amount for the next 6 months;

(b) Evidence that the Delivery Security Arrangements in place are sufficient to Protect that Protected Amount for the next 6 months including (where applicable) the most recent bank statement in relation to any Delivery Security Trust Account and copies of its Delivery Security Arrangements and a certificate signed by a director of the licensee confirming the same.

Guidance

7. The licensee must have regard to Chapter 2 of the CATO Guidance or any other related guidance documents issued by the Authority and from time-to time revised, following consultation, in respect of standard condition F39.

Standard Condition F40 Allowances in respect of Security Costs

1. The purpose of this condition is to set out the process for the licensee to recover Allowed Security Costs in the event of a Security Period.

2. At any time during a Security Period, the licensee may give notice in writing to the Authority suspending, with effect from the date of receipt of the notice by the Authority, application of such of the Charge Restriction Conditions as may be specified in the notice, for the remaining duration of the Security Period.

3. At any time during a Security Period, the Authority may (having regard to its duties under the Act) by means of directions:

   (a) suspend or modify for the remaining duration of the Security Period the Charge Restriction Conditions or any part or parts thereof; or

   (b) introduce for the remaining duration of the Security Period new Charge Restriction Conditions;

   in either case, so as to make such provision as in the opinion of the Authority is necessary or appropriate to enable the licensee to recover by means of an appropriate equitable increase in the charges made in the course of the licence an amount estimated as being equal to the licensee's Allowed Security Costs during such period. The licensee shall comply with the terms of any directions so issued.

4. Subject to paragraphs 5 and 7, the licensee is entitled in any Relevant Year to recover an aggregate amount equal to its Allowed Security Costs in that year or (in so far as not previously recovered) any previous year, by means of appropriate equitable increases in the charges made by the licensee in the course of the Transmission Business.

5. Paragraph 4 shall not apply in so far as such Allowed Security Costs:

   (a) were otherwise recovered by the licensee; or

(b) were taken into account by the Authority in setting the Charge Restriction Conditions by means of directions issued under paragraph 3.

6. The licensee shall following the end of each Relevant Year provide to the Authority details in respect of that Relevant Year of:

(a) the aggregate amounts charged under paragraph 4 on account of the licensee's Allowed Security Costs; and

(b) the basis and calculation underlying the increases in charges made by the licensee in the course of the Transmission Business.

7. Where the Authority is satisfied that the licensee has recovered amounts in excess of the licensee's Allowed Security Costs, the Authority may issue directions requiring the licensee to take such steps as may be specified to reimburse customers of the licensee for the excess amounts charged to them, and the licensee shall comply with any directions so issued.

8. No amounts charged by the licensee under this condition (whether or not subsequently required to be reimbursed) shall be taken into account for the purpose of applying the charge restriction provisions of condition F42 (Restriction of Transmission Revenue from Transmission Owner Services).

Standard Condition F41 Basis of Transmission Owner Charges

1. The purpose of this condition is to detail the process for the licensee to prepare and submit to the Authority for approval, a statement setting out its basis for Transmission Owner Charges. The Authority only approves the basis upon which the charges for the purposes set out in paragraph 2 below are made.

2. The licensee shall as soon as practicable during the Commencement Relevant Year and, in any case, not later than such date as the Authority shall specify, prepare and submit to the Authority a statement in a form approved by the Authority setting out the basis upon which charges will be made by the licensee:

(a) for Transmission Owner Services;

(b) for connection to the Licensee's Transmission System, such statement to be in such form and to contain such detail as necessary to enable the ISOP to make a reasonable estimate of the charges for which it would become liable for the provision of such services, and (without prejudice to the foregoing) including the information set out in paragraph 3 as is required by such paragraph to be included in the relevant statement; and

(c) for Outage Changes.

3. The statement referred to in paragraph 2 shall in respect of connections to the Licensee's Transmission System include:

   (a) a schedule listing those items (including the carrying out of works and the provision and installation of electric lines or electrical plant or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points) to the Licensee's Transmission System and for which site specific charges may be made or levied, and including (where practicable) indicative charges for each such item and, in other cases, an explanation of the methods by which and the principles on which such charges will be calculated;

   (b) the methods by which and the principles on which site specific charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required;

   (c) the methods by which and the principles on which any charges (including any capitalised charge) will be made for required maintenance, replacement and repair of electric lines, electrical plant or meters provided and installed for making a connection to the Licensee's Transmission System;

   (d) the methods by which and the principles on which any charges will be made for disconnection from the Licensee's Transmission System and the removal of electrical plant, electric lines and ancillary meters following disconnection; and

   (e) such other matters as shall be specified in directions issued by the Authority from time to time for the purpose of this condition.

4. Site specific charges for those items referred to in paragraph 3 shall be set at a level which will enable the licensee to recover:

   (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the Licensee's Transmission System and the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and

   (b) a reasonable rate of return on the capital represented by such costs.

5. In addition to, and without prejudice to, the licensee's obligations under paragraph 2, the licensee shall, upon being directed to do so by the Authority and within such period as shall be specified in the directions, prepare and submit to the Authority a statement or statements in a form approved by the Authority stating that charges:

   (a) for Transmission Owner Services;

   (b) for connection to the Licensee's Transmission System; and

(c) for Outage Changes

will be made on such basis as shall be specified in the directions. The statement or statements shall be in such form and contain such detail as necessary to enable the ISOP to make a reasonable estimate of the charges to which it would become liable for the provision of such services. Without prejudice to the foregoing, the statement(s) shall include the information specified in the directions.

6. Each statement prepared in accordance with paragraph 5 shall, with effect from the date on which it is approved by the Authority or such later date as the Authority shall specify, replace the corresponding statement prepared by the licensee in accordance with paragraphs 2 or 5 (as from time to time revised in accordance with paragraph 7) which is in force at such date. The licensee shall, with effect from such date make charges in accordance with the statement which has replaced the corresponding statement.

7. The licensee may periodically revise the statements in accordance with paragraphs 2 and 5 and shall, at least once in every year this licence is in force, make any necessary revisions to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.

8. The licensee shall send a copy of the statements prepared in accordance with paragraphs 2 and 5, and of each revision of such statements prepared in accordance with paragraph 7, to the Authority, and shall publish any such statement on its website.

Standard Condition F42 Restriction of Transmission Revenue: Revenue from Transmission Owner Services

1. The purpose of this condition is to establish the revenue restriction that determines the Allowed Transmission Owner Revenue ($CATO_t$) that the licensee may earn from its Transmission Owner Services in any Relevant Year.

2. The revenue entitlement of the licensee, determined in accordance with paragraph 4 below, shall commence upon the TRS Commencement Date.

3. The licensee shall take all appropriate steps within its power to ensure that in any Relevant Year t, Regulated Transmission Revenue (AR_t) shall not exceed the Allowed Transmission Owner Revenue ($CATO_t$) calculated in accordance with the formula given in paragraph 4 below.

Allowed Transmission Owner Revenue (CATOt)

4. For the purposes of this condition Allowed Transmission Owner Revenue ($CATO_t$):

(a) shall take the value zero in any Relevant Year that is not a Relevant Year referred to in sub-paragraph b., c., or d. below;

(b) for each Milestone Relevant Year, is the Milestone Payment or the sum of the Milestone Payments payable in that Relevant Year;

(c) for each Relevant Year that falls in whole or part within the Allowed Revenue Term, shall be calculated in accordance with the following formula:

$$CATO_t = (BR \times IF_t \times PY_t \times A_t) + PT_t + K_t + (\mu_t \times RV_t)$$

(d) for the Relevant Year following the Closing Relevant Year, is determined as follows:

$$CATO_t = \mu_t \times RV_t$$

where

BR is Base Revenue determined in accordance with paragraph 5;

IF_t is the initial finalisation factor for year t, calculated as follows:

$$IF_t = (IP * CPIH_t / CPIH_0) + (1 - IP)$$

where

IP is the Base Revenue Inflation Proportion determined in accordance with paragraphs 29 to 31;

$CPIH_t$ is CPIH for Relevant Year t;

$CPIH_0$ for the Relevant Year t; as follows:

PY_1 is one (1) for all Relevant Years except for the Commencement Relevant Year and the Closing Relevant Year, when

$$PY_t = D / 365.25$$

where

D for the Commencement Relevant Year is the number of days from the TRS Commencement Date to the end of that year, and for the Closing Relevant Year is the number of days from the start of that year to the Closing Date

A_t is the Availability Adjustment Factor for Relevant Year t, determined in accordance with F44 (Restriction of Transmission Revenue: Availability).

PT_t is the Post-Financial Close Revenue Adjustment Term for Relevant Year t, determined in accordance with F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments), paragraph2;

K_t is the Revenue Restriction Correction Factor for Relevant Year t, determined in accordance with paragraph 32;

RV_t is the Residual Value Amount determined in accordance with paragraphs 33 to 34;

μ_t is:

(i) if the Closing Date is not later than 90 days before the end of the Closing Relevant Year, one (1) for the Closing Relevant Year and zero for all other Relevant Years;

(ii) if the Closing Date is later than 90 days before the end of the Closing Relevant Year, one (1) for the Relevant Year following the Closing Relevant Year and zero for all other Relevant Years.

Base Revenue

5. The Base Revenue (BR) shall be calculated in accordance with the following formula:

$$BR = TRS - MPA + PPWCAA + DFCA + MRA$$

where

TRS is the Tender Revenue Stream set out in the Technical Annex;

MPA is the Milestone Payment Adjustment determined in accordance with paragraphs 6 and 7;

PPWCAA is the PPWCA Adjustment determined in accordance with paragraph 8;

DFCA is the Debt Funding Competition Revenue Adjustment determined in accordance with paragraphs 21 to 24;

MRA is the Market Rate Revenue Adjustment determined in accordance with paragraphs 25 to 28.

Milestone Payment Adjustment

6. The Milestone Payment Adjustment is the adjustment to TRS to reflect the payment to the licensee of Milestone Payments before the PPWCA Date.

7. The Milestone Payment Adjustment shall take the value:

   (a) determined, using the Financial Model, from the amounts and dates of the Milestone Payments paid to the licensee, and

   (b) confirmed or specified by notice given by the Authority to the licensee.

PPWCA Adjustment

8. The PPWCA Adjustment (PPWCAA) shall be calculated in accordance with the following formula:

$$PPWCAA = PIA + CIA + PPCA + PAWA$$

where

PIA is the Pre-construction Indexation Adjustment determined in accordance with paragraphs 9 and 10;

CIA is the Construction Indexation Adjustment determined in accordance with paragraph 11 to 13;

PPCA is the Permissible Project Change Adjustment determined in accordance with paragraphs 14 to 18;

PAWA is the Pre-construction Additional Works Adjustment determined in accordance with paragraphs 19 and 20.

Pre-Construction Indexation Adjustment

9. The Pre-construction Indexation Adjustment is the adjustment (whether upwards or downwards) to TRS to reflect adjustment of Project Costs by the actual change in the Project Indices from the Tender Base Date to the PPWCA Date.

10. The Pre-construction Indexation Adjustment shall take the value:

    (a) determined, using the Financial Model, from the relevant published values of the Project Indices, and

    (b) confirmed or specified by notice given by the Authority to the licensee.

Construction Indexation Adjustment

11. The Construction Indexation Adjustment is the adjustment (whether upwards or downwards) to TRS to reflect adjustment of Tender Project Costs by the forecast change

in Project Indices from the PPWCA Date to the date when those costs are expected to be incurred, on the basis of the profile of expenditure of Tender Project Costs in the Project Specification.

12. For the purposes of determining the Construction Indexation Adjustment, changes in Project Indices shall be forecast in accordance with the index forecasting methodology set out in the Project Specification.

13. The Construction Indexation Adjustment shall take the value:

    (a) determined, using the Financial Model, from Approved forecasts of the Project Indices, and

    (b) confirmed or specified by notice given by the Authority to the licensee.

Permissible Project Change Adjustment

14. Subject to paragraph 18, the Permissible Project Change Adjustment is the adjustment (whether upwards or downwards) to the TRS to reflect the aggregate amount of Change Costs resulting from all changes that the Authority Approves as being Permissible Project Changes.

15. For the purposes of this condition:

    (a) Change Costs are changes in Project Costs], including changes resulting from changes in the timing of expenditure of Project Costs;

    (b) where a Permissible Project Change results in an increase or decrease in Project Costs, the increased or (subject to paragraph 16) decreased costs taken into account in determining the Permissible Project Change Adjustment are the projected costs or cost savings the Authority Approves as being costs that would be efficiently and economically incurred or saved by the licensee.

16. If the licensee proposes in the PPWCA Submission any overall savings in costs resulting from a particular Permissible Project Change that, as first submitted by the licensee, are Approved, the amount to be counted as Change Costs is 90% of the amount of such Approved cost savings.

17. The Permissible Project Change Adjustment shall take the value:

    (a) determined, using the Financial Model, from the Approved values of the PPWCA Matters, and

    (b) confirmed or specified by notice given by the Authority to the licensee.

18. The maximum amount of the Permissible Project Change Adjustment is the amount calculated as:

$$0.4\ (TRS + PIA + CIA)$$

Pre-Construction Additional Works Adjustment

19. The Pre-construction Additional Works Adjustment is the adjustment to TRS to reflect the costs of Additional Works that the licensee becomes committed, prior to the PPWCA Date, to undertake in accordance with F36 (Obligations in relation to offers for connection etc).

20. The Pre-construction Additional Works Adjustment shall take the value:

(a) determined, using the Financial Model, from the costs of Additional Works that Authority Approves as being costs that would be efficiently and economically incurred by the licensee, and

(b) confirmed or specified by notice given by the Authority to the licensee.

Debt Funding Competition Revenue Adjustment

21. The Debt Funding Competition Revenue Adjustment is the adjustment (whether upwards or downwards) to TRS to reflect the difference between:

(a) the Financing Terms assumed in the Tender Revenue Stream as specified in the Tender Term Sheet, and

(b) the Financing Terms obtained by the licensee in the debt funding competition required under paragraph 22 for the Selected Financing Option, and

22. The licensee must:

(a) (in sufficient time to allow the licensee to comply with sub-paragraph b.) prepare, submit to the Authority establish and obtain the Authority's Approval of a statement of funding competition arrangements;

(b) by a date no later than 6 months after the PPWCA Date (unless the Authority approves a later date) conclude the implementation of those arrangements (in accordance with any requirements stipulated by the Authority when Approving the arrangements) so as to obtain Financing Terms under binding commitments from lenders, and submit the Financing Terms obtained to the Authority.

23. For the purposes of paragraphs 21 to 24:

(a) funding competition arrangements are arrangements for holding a competition to raise debt finance for the development of the licensee's transmission system (taking account of the PPWCA Matters referred to in paragraphs 8 to 20), which competition must obtain Financing Terms for a range of options (to be Approved by Ofgem) as to debt finance structure (debt structure options) including as to tenor of debt and balloon end-of-tenor repayments;

(b) where a debt structure option envisages terms for which assumptions are not included in the Tender Term Sheet, the licensee shall make and obtain the

Authority's Approval of revisions of the Financial Model to reflect those terms prior to implementing the funding competition arrangements;

(c) a debt structure option may require an Agreed Refinancing (in accordance with condition F48 (Refinancing));

(d) the Selected Financing Option is the debt structure option selected by the Authority by notice to the licensee following the licensee's submission to the Authority under paragraph 22 b.

24. The Debt Funding Competition Revenue Adjustment shall take the value:

(a) determined, using the Financial Model, from the Financing Terms obtained by the licensee in the funding competition under paragraph 22 for the Selected Financing Option, and

(b) confirmed or specified by notice given by the Authority to the licensee.

Market Rate Revenue Adjustment

25. The Market Rate Revenue Adjustment (MRA) is the adjustment (whether upwards or downwards) to TRS to reflect the difference between:

(a) Market Rates assumed in the Tender Revenue Stream as specified in Part A – Tendered Scope of Works of the Technical Annex, and

(b) Market Rates discovered in accordance with paragraph 26.

26. The licensee must:

(a) (in sufficient time to allow the licensee to comply with sub-paragraph b.) prepare, submit to the Authority and obtain the Authority's Approval of:

(i) a statement of a market rate discovery methodology, and subsequently

(ii) a financial close protocol;

(b) on a date no later than 6 months after the PPWCA Date (unless the Authority approves a later date) apply the Approved methodology and the Approved protocol to discover Market Rates, and submit the Market Rates discovered to the Authority.

27. For the purpose of paragraph 26:

(a) a market rate discovery methodology is a methodology for engaging with the financial markets to discover the best available Market Rates at the time of Financial Close;

(b) a financial close protocol is a process, comprising specific steps with associated timing, for implementation of the methodology at the time of Financial Close.

28. The Market Rate Revenue Adjustment shall take the value:

(a) determined, using the Financial Model, from the Market Rates discovered in accordance with paragraph 26, and

(b) confirmed or specified by notice given by the Authority to the licensee.

Base Revenue Inflation Proportion

29. The Base Revenue Inflation Proportion is the proportion of the Base Revenue which is to be adjusted each Relevant Year in respect of inflation from the Relevant Year in which the PPWCA Date falls.

30. Inflation in respect of Project Costs to be expended before the TRS Commencement Date is accounted for in the Pre-construction Indexation Adjustment and the Construction Indexation Adjustment under paragraphs 9 to 13 and is not within the Base Revenue Inflation Proportion.

31. The Base Revenue Inflation Proportion shall take the value:

(a) determined, using the Financial Model:

(i) after completion of the steps under paragraphs 5 to 28 and on the basis of the matters Approved by the Authority under those steps, and

(ii) on each other occasion on which this condition requires any other matter to be determined using the Financial Model, and

(b) confirmed or specified by notice given by the Authority to the licensee.

Revenue Restriction Correction Factor

32. The Revenue Restriction Correction Factor is the difference between the Regulated Transmission Revenue (AR_{t-1}) and the Allowed Transmission Owner Revenue ($CATO_{t-1}$) in the previous Relevant Year, whether of a positive or of a negative value, which takes the value zero in the first Relevant Year (t=1). In subsequent years, it is calculated in accordance with the formula below:

$$Kt = (AR_{t-1} - CATO_{t-1}) \times (1 + (I_t+PI_t) / 100)$$

where:

AR_{t-1} is Regulated Transmission Revenue in respect of Relevant Year t-1.

$CATO_{t-1}$ is Allowed Transmission Owner Revenue in respect of Relevant Year t-1

I_t is the Average Specified Rate in Relevant Year t.

PI_t is the penalty interest rate in Relevant Year t, as follows:

(a) where

$$AR_{t-1} > 1.04 \times CATO_{t-1}$$

the penalty interest rate shall be 4; and

(b) otherwise, it shall take the value zero.

Residual Value Amount

33. The Residual Value Amount (RV_t) is calculated as follows:

$$RV_t = IRV + CRYAA - AHW$$

where

IRV	is the Initial RVA in accordance with paragraph 34;
CRYAA	is the Closing Relevant Year Availability Adjustment determined under F44 (Restriction of Transmission Revenue: Availability) (which for the avoidance of doubt may have negative value in accordance with that condition);
AHW	is the Asset Health Withholding determined under F47 (Asset Health).

34. The Initial RVA is the sum of:

(a) one eighth (1/8th) of the Project Costs as determined as at the PPWCA Date as part of determination of the PPCWA Adjustment; and

(b) any Post-Financial Close RVA Adjustments determined under F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments).

Approval

35. Paragraph 36 applies in respect of any matter for which the licensee is required to make any submission (including any forecast, estimate, projection, assessment, statement, methodology, outcome or other proposal) to the Authority:

(a) as or in connection with PPWCA Matters in the PPWCA Submission pursuant to condition F46 (Application for PPWCA Adjustment);

(b) as or in connection with Financing Terms pursuant to paragraphs 21 to 24;

(c) as or in connection with Market Rates pursuant to paragraph 25 to 28.

36. When the licensee makes a submission to the Authority in respect of any such matter, the Authority may, in accordance with the CATO Guidance or any other related guidance issued and updated from time to time:

(a) approve the matter as submitted by the licensee without change;

(b) approve the matter with changes made by the licensee after discussion with the Authority;

(c) substitute the Authority's determination (consistent with the relevant condition) in respect of the matter;

and references in this condition to anything Approved by the Authority are to what is approved or substituted in accordance with sub-paragraph a., b. or c. above.

Financial Model

37. Where any provision of this condition or condition F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments) requires the value of any term to be determined using the Financial Model:

(a) the licensee shall, as and when required by the Authority, run the Financial Model in order to determine that value and provide to the Authority the results of running the model;

(b) the term shall have the value for which (on the basis of the inputs or changed inputs specified in the relevant provision) the Financial Model solves to derive the Equity IRR specified in Part A: Tendered Scope of Works of the Technical Annex.

General

38. In this condition the terms BR, PPWCAA, PIA, CIA, PPCA, PAWA, MPA, DFCA, MRA, are amounts expressed in pounds (£) per year

Standard Condition F43 Restriction of Transmission Revenue: post-Financial Close Revenue Adjustments

1. The purpose of this condition is to provide for revenue adjustments to reflect certain costs, resulting from events or circumstances arising after Financial Close, that can be recovered by the licensee as part of Allowed Transmission Owner Revenue ($CATO_t$).

2. For the purposes of paragraph 4 of condition F42 (Restriction of Transmission Revenue from Transmission Owner Services) the Post-Financial Close Revenue Adjustment Term (PT_t) is derived from the following formula

$$PT_t = PPAW_t + LF_t + RB_t + CEL_t + DC_t + IAT_t + TPD_t + TCA_t - RF_t$$

where

$PPAW_t$ means the post- PPWCA additional works term, and shall be determined in accordance with paragraphs 5 to 13.

LF_t means the licence fee cost adjustment term, whether of a positive or of a negative value, and shall be determined in accordance with paragraph 14.

RB_t means the network rates cost adjustment term, whether of a positive or of a negative value, and shall be determined in accordance with paragraphs 15 and 16.

CEL_t means the Crown Estate Lease cost adjustment term, whether of a positive or negative value, and shall be determined in accordance with paragraph 17.

DC_t means the decommissioning cost adjustment term and shall be determined in accordance with paragraphs 18 to 24.

IAT_t means the income adjusting event revenue adjustment term, whether of a positive or of a negative value, and shall be determined in accordance with paragraphs 25 to 35.

TPD_t means the temporary physical disconnection payment term and shall be determined in accordance with paragraph 36.

TCA_t means the tender fee cost adjustment term, whether of a positive or of a negative value, and shall be determined in accordance with paragraph 37.

RF_t means the Refinancing Adjustment term determined in accordance with F48 (Refinancing)

In this condition the items LF_t, RB_t, CEL_t, TPD_t, TCA_t are referred to as Passthrough Adjustment Terms.

General Provisions

3. For the purposes of any of the terms that are included in Post-Financial Close Revenue Adjustment and are not Adjustment Terms, the following provisions apply in respect of any proposal by the licensee or determination by the Authority in respect of such term:

(a) the term may be determined as a formula providing for calculation of the value of the relevant term for a number of consecutive Relevant Years within the Allowed Revenue Term rather than a single Relevant Year;

(b) any such formula may include a whole or partial inflation adjustment on the basis of the inflation factor IF_t;

(c) where the value of the relevant term is calculated for a number of Relevant Years, the term shall reflect the cost of financing the capital costs incurred by the licensee, on the basis of the Equity IRR in the Financial Model and any financing costs legitimately incurred in relation to the allowed financing and refinancing mechanisms provided for in the CATO licence

(d) the term may be determined on the basis that a portion (reflecting the then-outstanding part of the Allowed Revenue Term as a proportion of the useful life of the asset funded by the relevant investment) of any investment costs of the licensee are to be recovered as part of the Residual Value Amount RV_t and not in the term, in which case the relevant proposal or determination shall include the corresponding adjustment to the Residual Value Amount RV_t;

(e) the term may be determined so that the amount of revenue earned by the licensee in a Relevant Year in respect of the term is subject to adjustment by the transmission system availability factor AF_y, in which case the relevant proposal or determination shall include the formula by which such adjustment is given effect;

(f) the Financial Model shall be used:

(i) to determine what revenue adjustment will ensure that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as would be the case if the relevant event or circumstance (giving rise to the determination of the relevant term) had not occurred; and

(ii) for the purposes of paragraphs (a), (b), (c) (d) above.

4. Not used. [intentionally blank]

Formula for post-PPWCA additional works term ($PPAW_t$)

5. Where the licensee considers, and can provide supporting evidence, that there will be additional costs and/or expenses in relation to the licensee's obligations with respect to the development of the Licensee's Transmission System that will be incurred due to a requirement (arising after the PPWCA Date) to carry out Additional Works under condition F36 (Obligations in relation to offers for connection etc), then the licensee shall give written notice of this change to the Authority.

6. A notice given by the licensee under paragraph 5 shall give particulars of:

(a) the Additional Works to which the notice relates;

(b) the capital costs that the licensee expects to incur in carrying out the Additional Works, and how the amount of these costs has been calculated;

(c) the amount of any additional costs and/or expenses of operation and maintenance that the licensee expects to incur as a result of carrying out the Additional Works, and how the amount of these costs has been calculated;

(d) where applicable, the choice made by the licensee under paragraph 9;

(e) the amount of any allowed revenue adjustment, proposed as a consequence of the incurring of the costs and/or expenses in paragraphs (b) and (c), consistent with paragraph 9; and

(f) any other analysis or information, which the licensee considers sufficient to enable the Authority to fully assess the Additional Works and the costs and/or expenses of the Additional Works and the proposed allowed revenue adjustment.

7. If the Authority considers that the analysis or information received under paragraph 6 is insufficient to enable the Authority to assess the Additional Works, the costs and/or expenses of the Additional Works and/or the amount of any revenue adjustment that might be approved, the Authority can request that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one 1 month of the Authority requesting such information.

8. A notice referred to in paragraph 5 shall be given as soon as is reasonably practicable after the requirement (arising after the PPWCA Date) to carry out the Additional Works arose in accordance with condition F36 (Obligations in relation to offers for connection etc), and, in any case, not later than three 3 months after the end of the Relevant Year in which that requirement arose.

9. Where the Cumulative Relevant Increase in Capex, determined taking account of the capital costs of the Additional Works in question:

   (a) does not exceed 20%, the licensee's cost of financing the capital costs of the Additional Works shall be determined on the basis of the financing arrangements reflected in the Financial Model (as stated immediately following Financial Close);

   (b) exceeds 20% but does not exceed 50%, the licensee may (in its notice under paragraph 5) choose whether the capital costs of the Additional Works:

      (i) shall be financed, in which case the cost of financing shall be determined on the basis set out in paragraph (a);

      (ii) shall be recovered as and at the time incurred, in which case the allowed revenue adjustment shall include lump-sum amounts in respect of such costs on the basis of a schedule of payments to be approved by the Authority;

   (c) exceeds 50%, if the licensee has in accordance with condition F36 (Obligations in relation to offers for connection etc) agreed to carry out such Additional Works, the post- PPWCA additional works term shall be what was agreed with the Authority as a condition of the licensee's agreement to carry out the Additional Works.

10. For the purposes of paragraph 9 the Cumulative Relevant Increase in Capex is calculated as (A / B) where A is the aggregate capital cost of all Additional Works approved by the Authority and already taken into account in $PPWA_t$ allowed revenue adjustments and the capital costs of the Additional Works in question, expressed in money of the PPWCA Date and B is the aggregate capital cost of the development of the licensee's transmission

system as assessed by the Authority at the PPWCA Date in accordance with condition F46 (Application for PPWCA Adjustment).

11. The Authority shall determine:

(a) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 5 have been or will be efficiently and economically incurred due to a requirement (arising after the PPWCA Date) to carry out Additional Works;

(b) whether (based on those costs and/or expenses) the amount of the proposed revenue adjustment ensures that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as if that requirement to carry out Additional Works had not arisen, and if not, the Authority shall determine what revenue adjustment would secure that effect; and

(c) the periods, if any, over which the revenue adjustment determined by the Authority should apply, consistent with paragraph 3.

12. In relation to the Relevant Year t, the post-PPWCA additional works term shall be:

(a) the value determined by the Authority under paragraph 11 above; or

(b) if the Authority has not requested additional information under paragraph 7 and the Authority has not made a determination under paragraph 11 above within three 3 months of the date on which the notice given by the licensee was received by the Authority, the amount of the allowed revenue adjustment proposed by the licensee in that notice given to the Authority; or

(c) if the Authority requests additional information under paragraph 7 and the Authority has not made a determination under paragraph 11 above within three 3 months of receiving all additional information requested, the amount of the allowed revenue adjustment proposed by the licensee in the notice given to the Authority; or

(d) in all other cases the value zero, including situations where the Authority has not made a determination under paragraph 11 above within three 3 months of the date on which the notice given by the licensee was received by the Authority, or within three 3 months of the date on which the Authority received additional information if requested under paragraph 7, and the Authority has, before the end of the appropriate three 3 month period, informed the licensee that the Authority considers that the analysis or information provided in accordance with paragraphs 6 and/or 7 is insufficient to enable the Authority to assess whether additional costs and/or expenses have occurred and/or the amount of any allowed revenue adjustment.

13. The Authority's decision in relation to any notice given under paragraph 11 shall be in writing, shall be copied to the licensee and shall be published.

Formula for the Licence Fee Cost Adjustment (LF_t)

14. For the purposes of paragraph 2, LF_t is an amount in respect of licence fee payments and means the amount equal to the payments made by the licensee, in the Relevant Year t, in accordance with its obligations set out in standard condition A4 (Payments by the Licensee to the Authority.

Formula for the Network Rates Cost Adjustment (RBt)

15. For the purposes of paragraph 2, RB_t is an amount in respect of Network Rates payments and means, subject to paragraph 5 of this condition, the amount equal to the Network Rates payments made by the licensee in the Relevant Year t.

16. The licensee shall at the time of Network Rates Revaluation use reasonable endeavours to minimise the costs that it will incur in respect of Network Rates.

Formula for the Crown Estate Lease Cost Adjustment (CEL_t)

17. For the purposes of paragraph 2, CEL_t is an amount equal to the payments made by the licensee to the Crown Estate, in the Relevant Year t, in accordance with its obligations set out in its Crown Estate Lease in respect of the:

    (a) annual rent of the seabed; and

    (b) legal expenses of the Crown Estate for the preparation, negotiation and completion of the Crown Estate Lease.

Formula for the Decommissioning Cost Adjustment (DC_t)

18. Where the licensee considers, and can provide supporting evidence, that there will be additional costs and/or expenses in relation to the licensee’s obligations with respect to decommissioning of the Licensee’s Transmission System that have arisen due to a change in legislative requirements and guidance relating to decommissioning, then the licensee shall give written notice of this change to the Authority.

19. A notice received by the Authority under paragraph 18 shall give particulars of:

    (a) the change in legislative requirements to which the notice relates and the reason(s) why the licensee considers that it will face additional costs and/or expenses in complying with those obligations, and demonstrate that such costs and/or expenses are not included within the Allowed Transmission Owner Revenue ($CATO_t$);

    (b) the expected amount of any change in costs and/or expenses that can be demonstrated by the licensee to be caused by the change in decommissioning requirements and how the amount of these costs and/or expenses has been calculated;

    (c) the amount of any allowed revenue adjustment, proposed as a consequence of the change in decommissioning requirements; and

(d) any other analysis or information, which the licensee considers sufficient to enable the Authority to fully assess the change in decommissioning legislative requirements to which the notice relates.

20. If the Authority considers that the analysis or information received under paragraph 19 is insufficient to enable the Authority to assess whether a change in decommissioning requirements has occurred and/or the amount of any revenue adjustment that might be approved, the Authority can request that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one 1 month of the Authority requesting such information.

21. A notice referred to in paragraph 18 shall be given as soon as is reasonably practicable after the occurrence of the change in legislative requirements, and, in any case, not later than three 3 months after the end of the Relevant Year in which the change in requirements occurs.

22. The Authority shall determine:

(a) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 18 were caused by the change in legislative requirements;

(b) if so, whether the amount of the proposed revenue adjustment ensures that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as if that change in decommissioning legislative requirements had not taken place, and if not, the Authority shall determine what revenue adjustment would secure that effect; and

(c) the periods, if any, over which the revenue adjustment determined by the Authority should apply.

23. In relation to the Relevant Year t, the decommissioning cost adjustment term (DC_t) shall be:

(a) the value determined by the Authority under paragraph 22 above; or

(b) if the Authority has not requested additional information under paragraph 20 and the Authority has not made a determination under paragraph 22 above within three 3 months of the date on which the notice given by the licensee was received by the Authority, the amount of the allowed revenue adjustment proposed by the licensee in that notice given to the Authority; or

(c) if the Authority requests additional information under paragraph 20 and the Authority has not made a determination under paragraph 22 above within three 3 months of receiving all additional information requested, the amount of the allowed revenue adjustment proposed by the licensee in the notice given to the Authority; or

(d) in all other cases the value zero, including situations where the Authority has not made a determination under paragraph 22 above within three 3 months of the date on which the notice given by the licensee was received by the Authority, or within three 3 months of the date on which the Authority received additional information if requested under paragraph 20, and the Authority has, before the end of the appropriate three 3 month period, informed the licensee that the Authority considers that the analysis or information provided in accordance with paragraphs 19 and/or 20 is insufficient to enable the Authority to assess whether additional costs and/or expenses have occurred and/or the amount of any allowed revenue adjustment.

24. The Authority's decision in relation to any notice given under paragraph 18 shall be in writing, shall be copied to the licensee and shall be published.

Formula for the Income Adjusting Event Revenue Adjustment (IAT_t)

25. Where the licensee considers, and can provide supporting evidence that, in respect of Relevant Year t, there have been costs and/or expenses that have been incurred or saved by an Income Adjusting Event, then the licensee shall give written notice of this Income Adjusting Event to the Authority.

26. An Income Adjusting Event in Relevant Year t may arise from any of the following:

(a) an Event or circumstance constituting Force Majeure;

(b) an Event or circumstance resulting from an amendment to the STC not allowed for when the Allowed Transmission Owner Revenue ($CATO_t$) of the licensee was determined for the Relevant Year t; and

(c) an Event or circumstance other than listed above which, in the opinion of the Authority, is an Income Adjusting Event and is approved by it as such in accordance with paragraph 21 of this licence condition,

where the Event or circumstance has, for Relevant Year t, increased or decreased costs and/ or expenses by more than:

(iii) £500,000 where the project capex is below £100,000,000;

(iv) £1,000,000 where the project capex exceeds £100,000,000;

(v) £2,000,000 where the project capex exceeds £500,000,000; or

(vi) £4,000,000 for any projects where the project capex exceeds £1,000,000,000

(the "threshold amount").

27. A notice received by the Authority under paragraph 25 shall give particulars of:

(a) the Event or circumstance to which the notice relates and the reason(s) why the licensee considers this Event or circumstance to be an Income Adjusting Event;

(b) the amount of any change in costs and/or expenses that can be demonstrated by the licensee to have been caused or saved by the Event or circumstance and how the amount of these costs and/or expenses has been calculated, including the extent to which the licensee has claimed or intends to claim under other routes of recourse for any costs and/or expenses arising out of or relating to the Event or circumstance;

(c) the amount of any allowed revenue adjustment proposed as a consequence of that Event or circumstance and how this allowed revenue adjustment has been calculated; and

(d) any other analysis or information, which the licensee considers sufficient to enable the Authority and the relevant parties to fully assess the Event or circumstance to which the notice relates.

28. If the Authority considers that the analysis or information received under paragraph 27 is insufficient to enable both the Authority and the relevant parties to assess whether an Income Adjusting Event has occurred and/or the amount of any revenue adjustment that might be approved, the Authority can make a request or requests that the supporting evidence be supplemented with any additional information that it considers appropriate. If the Authority requests that the supporting evidence be supplemented with additional information, the licensee shall give such information to the Authority within one 1 month of the Authority requesting such information, or within such extended time as permitted by the Authority.

29. A notice of an Income Adjusting Event referred to in paragraph 25 shall be given as soon as is reasonably practicable after the occurrence of the Income Adjusting Event, and, in any case, not later than three 3 months after the end of the Relevant Year in which it occurs.

30. The Authority will make public, excluding any confidential information, any notice of an Income Adjusting Event as soon as is reasonably practicable following its receipt.

31. Any notice received by the Authority under paragraph 25 above should clearly identify whether any of the information contained in the notice is of a confidential nature. The Authority shall make the final determination as to confidentiality having regard to:

(a) the need to exclude from disclosure, so far as is reasonably practicable, information whose disclosure the Authority considers would or might seriously prejudicially affect the interests of a person to which it relates; and

(b) the extent to which the disclosure of the information mentioned in sub-paragraph 31(a) is necessary for the purposes of enabling the relevant parties to fully assess the Event or circumstance to which the notice relates.

32. The Authority shall determine (after consultation with the licensee and such other persons as it considers desirable):

(a) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 25 were caused or saved by an Income Adjusting Event;

(b) whether the Event or circumstance has increased or decreased the costs and/or expenses given in the notice pursuant to paragraph 25 by more than the threshold amount; and

(c) if so:

(i) subject to sub-paragraph (iii), whether the amount of the proposed revenue adjustment ensures that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as if that Income Adjusting Event had not taken place, and if not, the Authority shall determine what revenue adjustment would secure that effect. Such adjustment shall be:

A. where the Income Adjusting Event relates to an Uninsurable Event or circumstance, reduced by either £5 million or the insurance deductible set out in the invitation to tender questionnaire submitted in respect of this licence pursuant to the Tender Regulations, whichever is greater; and

B. for the avoidance of doubt, reduced by costs and/or expenses caused by the Income Adjusting Event that are recovered by other routes of recourse available to the licensee, including, but not limited to, commercial arrangements;

(i) unless, and to the extent that, the Authority has already applied such reductions to a previous revenue adjustment related to the same Event or circumstance as that set out in the notice pursuant to paragraph 25;

(ii) subject to sub-paragraph (iii), the periods, if any, over which the revenue adjustment determined by the Authority should apply; and

(iii) where it is not yet possible to make a final determination under sub-paragraphs (c)(i) and (c)(ii) above, the Authority may direct a partial amount of revenue adjustment, if any, pending the final determination of amount, such final determination to be made as soon as is reasonably practicable.

33. In relation to the Relevant Year t, the income adjusting event revenue adjustment (IAT_t) shall be:

(a) the value, or relevant proportion of the value, determined by the Authority under paragraph 32 above; or

(b) if the Authority has not requested additional information under paragraph 28 and the Authority has not made a determination under paragraph 32 above within three 3 months (excluding the duration of any consultation under paragraph 32) of the date on which notice of an Income Adjusting Event was received by the Authority, the amount of the allowed revenue adjustment proposed as a consequence of the Event or circumstance in the notice given to the Authority under paragraph 25; or

(c) if the Authority requests additional information under paragraph 28 and the Authority has not made a determination under paragraph 32 above within three 3 months (excluding the duration of any consultation under paragraph 32) of receiving all additional information requested, the amount of the allowed revenue adjustment proposed by the licensee in the notice given to the Authority; or

(d) in all other cases the value zero, including situations where the Authority has not made a determination under paragraph 32 above within three 3 months (excluding the duration of any consultation under paragraph 32) of the date on which the notice was received by the Authority, or within three 3 months (excluding the duration of any consultation under paragraph 32) of the date on which the Authority received additional information if requested under paragraph 28, and the Authority has, before the end of that relevant period, informed the licensee that the Authority considers that the analysis or information provided in accordance with paragraphs 27 and/or 28 is insufficient to enable the Authority to assess whether an Income Adjusting Event has occurred and/or the amount of any allowed revenue adjustment.

34. The Authority’s decision in relation to any notice given under paragraph 25 shall be in writing, shall be copied to the licensee and shall be published.

35. The Authority may amend or revoke an approval of an Income Adjusting Event and revenue adjustment with the consent of the licensee, following consultation with the licensee and relevant parties, and any such amendment or revocation of any Income Adjusting Event and revenue adjustment shall be in writing, shall be copied to the licensee and shall be published.

Formula for the Temporary Physical Disconnection Payment (TPD_t)

36. For the purposes of paragraph 2, TPD_t shall be an amount equal to the interruption payments made by the ISOP in the licensee's Transmission System Area and charged by the ISOP to the Transmission Licensee in accordance with the STC within each respective Relevant Year. Such costs shall include any financing or other costs such as to

ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if those costs had not been incurred.

Formula for the Tender Fee Cost Adjustment (TCA_t)

37. For the purposes of paragraph 2, TCA_t shall be an amount, whether of a positive or of a negative value, representing:

(a) the payments made by the licensee to the Authority and/or the ISOP (as delivery body) in accordance with the Tender Regulations with respect to the recovery of the Authority's and/ or the ISOP's tender costs. Where the payments have been made in relation to an application for the grant of more than one licence, the licensee shall attribute an appropriate proportion of the relevant payment(s) made to the Authority and/or the ISOP; and

(b) any re-payments made by the Authority and/or the ISOP to the licensee in accordance with the Tender Regulations as a result of the payments collected by the Authority and/or the ISOP exceeding its tender costs. Where the re-payments have been made in relation to an application for the grant of more than one licence, the licensee shall be attributed an appropriate proportion of the relevant re-payment made by the Authority and/or the ISOP.

Standard Condition F44 Restriction of Transmission Revenue: Availability

Purpose of this condition

1. The purpose of this condition is to provide for adjustments to Allowed Transmission Owner Revenue (CATOt) in relation to the licensee's Transmission System performance, and this condition shall not take effect until the TRS Commencement Date.

Calculation of the Performance Availability Adjustment Term

2. For the purposes of paragraph 4 of condition F42 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services), the performance availability revenue adjustment term (PA_t) is derived from the following formula:

$PAt = AIt +$[other relevant incentives (TBC) from RIIO-3 (as determined by the Authority)]

where:

AI_t means the Transmission System Availability Incentive, whether of a positive or of a negative value, as derived from the formula set out in paragraph 6 of this condition;

Transmission System Availability Incentive

3. The licensee shall, in providing Transmission Owner Services, use reasonable endeavours to make its transmission system available to the ISOP in accordance with standard

condition F13 (Obligation to provide transmission services), Good Industry Practice and to minimise the effect and duration of any Transmission Service Reduction.

4. Where a Transmission Service Reduction applies to all or a part of the licensee's Transmission System and the licensee reasonably expects that the duration of such a Transmission Service Reduction will apply for a period of more than 21 days then the licensee shall within 7 days of the Transmission Service Reduction occurring notify the Authority in writing of the Transmission Service Reduction including:

   (a) details of the Transmission Service Reduction on the Transmission Owner Services the licensee provides to the ISOP;

   (b) the cause of the Transmission Service Reduction and whether, in the licensee's opinion, the Transmission Service Reduction has been caused (in whole or in part) by an Exceptional Event;

   (c) any interim work or other actions which are being undertaken to minimise the effect of the Transmission Service Reduction; and

   (d) indicate the timescale in which the licensee reasonably considers that the Transmission Service Reduction will be resolved together with supporting information that shall include (without limitation) any Service Restoration Proposal agreed with the ISOP in accordance with the STC.

5. Where, in the Incentive Period y, the total effect and duration of all Transmission Service Reductions, excluding those caused (in whole or in part) by an Exceptional Event:

   (e) results in transmission system availability being, on average, below 78 per cent in that incentive period; or

   (f) results in transmission system availability being, on average, below 85 per cent when considering the 24 month period of the Incentive Period y and the Incentive Period y-1;

   then the licensee shall provide a written statement to the Authority, from an authorised director of the licensee, within three months of the end of Incentive Period y, explaining how, notwithstanding the Transmission Service Reductions, the licensee has discharged and is discharging the obligations in paragraph 3.

Calculation of the Availability Incentive

6. For the purposes of paragraph 2, the term AIt is derived from the following formula for all Relevant Years:

$$AIt = BRt{-}1 \times AFy$$

   where:

   y = t

except in cases where the TRS Commencement Date occurs between 1st January and 31st March (inclusive), where:

(a) in Relevant Year t = 2 , $AI_2 = 0$;

(b) in Relevant Year t = 37 it is derived from the following formula:

$$AI37=(BR35 / PR35 \times PR1)\times AF37$$

where:

BR_t means the Base Transmission Revenue calculated in accordance with the formula specified in paragraph 5 of condition F42 (Restriction of Transmission Revenue from Transmission Owner Services);

PR_t means the proportion of revenue calculated in accordance with the formula specified in paragraph 4 of standard condition F42: (Restriction of Transmission Revenue from Transmission Owner Services); and

AF_y means the transmission system availability factor, which in any Relevant Year before the Commencement Relevant Year shall take the value zero and in each subsequent Relevant Year is the revenue adjustment factor based on the licensee's performance against the transmission system availability incentive during Incentive Period y. This converts percentage unavailability to percentage revenue impact, and is derived from the following formula:

$$AF_y = \left(CCAP - PO_y\right) * \frac{RCAP}{PCAP}$$

where:

CCAP means the Credit Availability Cap;

PO_y means the Paid Out Unavailability for the relevant Operating Year, y, calculated in accordance with this condition;

RCAP means the Revenue Impact Cap for the Relevant Year; and

PCAP means the Penalty Availability Cap for the Relevant Year

Paid Out Unavailability

7. Paid Out Unavailability shall be calculated in accordance with the following formula:

$$PO_y = Minimum\ of\ \left((CCAP +\ PCAP), \left(BF_y + AU_y\right)\right) * \frac{365}{Days_y}$$

where:

BF_y means the Brought Forward Unavailability for the Relevant Year. For the first Relevant Year, BF is set equal to 0. Thereafter, BF is equal to CF in the previous Relevant Year, calculated in accordance with paragraph 9 of this condition;

AU_y means the Accrued Unavailability for the Relevant Year calculated in accordance with paragraph 8 of this condition.

$Days_y$ means the number of calendar days in the Relevant Year.

Unavailability

8.1 Accrued Unavailability shall be calculated in accordance with the following formula:

$$AU_y = Minimum\ of\ (TCAP, UP_{y-1})$$

where:

TCAP means the Total Unavailability Cap; and

UP_{y-1} means the Unavailability Percentage for the previous Relevant Year calculated in accordance with paragraph 8.2 of this condition.

8.2 Unavailability Percentage for the Relevant Year 'y' shall be calculated in accordance with the following formula:

$$UP_y = \frac{\sum_x EO_x}{TC_y}$$

where:

$\sum_x \boldsymbol{EO_x}$ means the total Unavailability in for the Relevant Year, y, which is the sum of individual Energy Outage events during the Relevant Year.

EOx means the Energy Outage, in MVAh / MWh / MVArh of a specific Transmission Service Reduction, x, calculated in accordance with paragraph 8.3 of this condition

TC_y means the Maximum Transmission System Availability for the Relevant Year, y, calculated as the summation of the seasonal Normal Capability Limits, multiplied by the respective number of calendar days in the Relevant Year, multiplied by 24 hours. TC_y is expressed in MVAh / MWh / MVArh.

8.3 An Energy Outage shall be calculated in accordance with the following formula:

$$EO_x = CR_x * D_x$$

where:

CR_x means the Capability Reduction below the Normal Capability Limit (measured in the same units used for the calculation of the Normal Capability Limit) caused by a specific Transmission Service Reduction, x; and

D_x means the duration in hours of a specific Transmission Service Reduction, x, based on unavailability information recorded by the control room equipment or from submissions by the licensee regarding their asset's Operational Capability Limit (OCL) and Service Capability Schedule (SCS).

Carried Forward Unavailability

8.4 Carried Forward Unavailability for the Relevant Year y shall be calculated in accordance with the following formula:

$$CF_y = AU_y + BF_y - PO_y * \frac{Days_y}{365}$$

Impact of Exceptional Events on Availability

9. The Authority shall, by written notice to the licensee, direct that, for the purpose of calculating the Accrued Unavailability (AU_y), the value of the Accrued Unavailability (AU_y) shall be adjusted to the extent specified in that direction to offset the impact of an Exceptional Event, where:

(a) the licensee considers that any event on the licensee's Transmission System that causes a Transmission Service Reduction has been wholly or partially caused by an Exceptional Event;

(b) the licensee has notified the Authority of such an event within 14 days of its occurrence;

(c) the licensee has provided details of the Transmission Service Reduction that the licensee considers resulted from the Exceptional Event (including the anticipated duration of any reduction in availability) and such further information, if any, as the Authority may require in relation to such an Exceptional Event; and

(d) the Authority is satisfied that the event notified to it under sub-paragraph (b) is an Exceptional Event.

10. For the purpose of paragraph 10, the adjustment directed by the Authority shall be based on the extent to which the Authority is satisfied that the licensee had taken reasonable steps, consistent with Good Industry Practice, to manage the impact of the event on the availability of services provided to the ISOP in accordance with standard condition F13

(Obligation to provide transmission services) (both in anticipation of the event and after the event has occurred).

11. A direction under paragraph 10 shall not have effect unless, before it is made, the Authority has given notice to the licensee:

   (a) setting out the terms of the proposed direction, including the extent to which the value of the Accrued Unavailability in any month should be decreased to offset the impact of the Exceptional Event;
   (b) stating the reasons, having regard to the information provided by the licensee and Good Industry Practice, why it proposes to issue the direction; and
   (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections,

   and the Authority has considered such representations or objections and given reasons for its decision.

9 The licensee may request that a direction issued by the Authority pursuant to paragraph 10 be modified, where the licensee considers that:

   (a) there has been a material change to the information previously provided by the licensee in relation to the Exceptional Event specified in the previous direction; and
   (b) it has notified the Authority of the material change, no later than three months after the end of the incentive period to which it relates.

Transmission System Availability Incentive: Supplementary Provisions

10 The licensee shall, by no later than 14 days after the end of each three month period (being the three months ending either 31 March, 30 June, 30 September and 31 December), submit to the Authority a report setting out the Accrued Unavailability for each of the months within the three 3 month period and the report should include the calculation of the Accrued Unavailability and provide a commentary in relation to those periods where availability fell below the Target Availability.

Standard Condition F45 Restriction of Transmission Revenue: Adjustments

1. The purpose of this condition is to set out the licensee's obligations should its Regulated Transmission Revenue (AR_t) differ from its Allowed Transmission Owner Revenue ($CATO_t$) to the extent set out below.

2. If, in respect of any Relevant Year t, the licensee's Regulated Transmission Revenue (AR_t) in that Relevant Year exceeds 103 per cent of Allowed Transmission Owner Revenue ($CATO_t$) for that Relevant Year, the licensee:

(a) shall provide a written explanation for that event to the Authority by 31 July in the associated Relevant Year t+1; and

(b) shall not increase its charges for the provision of Transmission Owner Services for Relevant Year t+2 unless it has demonstrated to the reasonable satisfaction of the Authority that the Regulated Transmission Revenue (AR_t) in that next following Relevant Year would not be likely to exceed the Allowed Transmission Owner Revenue ($CATO_t$) in that same Relevant Year.

3. If, in respect of two successive Relevant Years t and t+1, the licensee's Regulated Transmission Revenue (AR_t) in each of those Relevant Years exceeds 104 per cent of Allowed Transmission Owner Revenue (CATOt) for those Relevant Years, the licensee:

(a) shall provide a written explanation for that event to the Authority by 31 July in the associated Relevant Year t+2; and

(b) shall, if required by the Authority, adjust its charges for the provision of Transmission Owner Services, such that the Regulated Transmission Revenue (AR_t) would not be likely, in the judgment of the Authority, to exceed the Allowed Transmission Owner Revenue (CATOt) in Relevant Year t+3.

4. If, in respect of any Relevant Year t, the licensee's Regulated Transmission Revenue (AR_t) is less than 97 per cent of the Allowed Transmission Owner Revenue ($CATO_t$) for that Relevant Year, the licensee must provide a written explanation for that event to the Authority by 31 July in the associated Relevant Year t+1.

Standard Condition F46 Application for PPWCA Adjustment

Introduction

1. The purpose of this condition is to oblige the licensee to make an application to the Authority to determine any PPWCA Adjustment.

2. This condition also includes a provision for the licensee to make an application to the Authority to change the Target TRS Commencement Date if there is an anticipated delay to the date that was previously determined.

3. The value of the PPWCA Adjustment will contribute to the calculation of the Base Revenue pursuant to condition F42 (Restriction on Transmission Revenue: Revenue from Transmission Owner Services), paragraph 5.

Application for PPWCA Adjustment

4. The licensee shall make an application for the PPWCA Adjustment to the Authority no later than the PPWCA Date.

5. The licensee's application for the PPWCA Adjustment must include:

(a) Its proposed calculation of:

(i) the Pre-construction Indexation Adjustment (PIA), consistent with the method of calculation of that term pursuant to condition F42 (Restriction on Transmission Revenue: Revenue from Transmission Owner Services), paragraphs 9-10;

(ii) the Construction Indexation Adjustment (CIA), consistent with the method of calculation of that term pursuant to condition F42 (Restriction on Transmission Revenue: Revenue from Transmission Owner Services), paragraphs 11-13;

(b) the Permissible Project Changes it considers have affected the development of the licensee's transmission system with supporting evidence for their categorisation as Permissible Project Changes;

(c) the changes in Project Costs (whether upwards or downwards) relating to the proposed Permissible Project Costs together with its methodology for calculating the change in Project Costs and its justification of why such changes in Project Costs, if incurred, would reasonably be considered to be efficient and economic;

(d) the changes in Project Costs relating to Pre-construction Additional Works; and

(e) such other information as may be required by the CATO Guidance or other relevant guidance issued by the Authority pursuant to paragraph 8 of this condition.

Change to the Target TRS Commencement Date

6. If the licensee anticipates a delay to the Target TRS Commencement Date, it must make an application to the Authority to change the TRS Commencement Date as part of its application for a PPWCA Adjustment made pursuant to paragraph 4 of this condition.

7. An application for the change to the Target TRS Commencement Date must include:

(a) the Permissible Project Change that is the anticipated cause of the delay to the Target TRS Commencement Date; and

(b) the proposed new Target TRS Commencement Date

Determination of the PPWCA Adjustment

8. Where the licensee has made an application for a PPWCA Adjustment, it must comply with any reasonable request from the Authority to provide further information in relation to its application.

9. Receipt of a determination of the Authority by the licensee will follow:

(a) the Authority publishing a notice on the Authority's Website with the text of its proposed direction containing its determination of the PPWCA Adjustment: and the reasons for the proposed direction; and

(b) a period during which representations may be made on the proposed direction which will not be less than 28 days.

10. The Authority's direction pursuant to this condition will set out:

(a) any PPWCA Adjustment

(b) any adjustment to the Target TRS Commencement Date; and

(c) any consequential amendments to the conditions of this licence as a result of the PPWCA Adjustment including the value of the Pre-construction Indexation Adjustment, the Construction Indexation Adjustment, the Permissible Project Change Adjustment and the Pre-construction Additional Works Adjustment.

11. Following receipt of the Authority's determination of the PPWCA Adjustment and consequential amendments, the licensee shall use those values in its calculations pursuant to condition F42 (Restriction of Transmission Revenue from Transmission Owner Services), paragraphs 8-20. Where no direction has been issued in respect of an adjustment, the value of that adjustment shall be 0.

PPWCA Adjustment Guidance

12. The licensee must comply with processes set out in Chapter 4 of the CATO Guidance relating to the PPWCA, and any other guidance the Authority has issued, may issue and, following further consultation, revise from time to time.

Standard Condition F47 Asset Health

13. The purpose of this condition is to set out an obligation for the licensee to undertake and delivery to the Authority a Health Review no later than five 5 years before the end of the TRS.

14. Following receipt of the Health Review, the licensee must carry out such further works as the Authority may determine is necessary to improve the condition of the Transmission Assets to a condition expected at thirty 30 years of asset life having been operated and maintained in a manner which:

(a) is economic and efficient; and

(b) is consistent with Good Industry Practice,

within a time period to be determined by the Authority.

15. If the licensee does not complete the further works in accordance with the Authority's determination under paragraph 2 of this condition, the licensee must comply with any

determination by the Authority of the costs of carrying out such further works in accordance with that determination.

Standard Condition F48 Refinancing

Part A: Application and purpose

1. The purpose of this condition is to make provision for:

   (a) the circumstances in which the Authority may permit an Agreed Refinancing;

   (b) the reporting obligations that apply before a proposed Agreed Refinancing;

   (c) the process by which the licensee may request an Agreed Refinancing Determination;

   (d) the Authority's oversight of any refinancing Debt Funding Competition undertaken for the purposes of an Agreed Refinancing; and

   (e) the treatment of any positive or negative impact of an Agreed Refinancing on the Financial Model and the Tender Revenue Stream.

2. This condition applies where, before commencement of the Tender Revenue Stream, the Authority has made an Initial Agreed Refinancing Decision to approve an Agreed Refinancing.

3. The Authority may make an Initial Agreed Refinancing Decision only where it considers that:

   (a) at the initial Debt Funding Competition and Financial Close, there is a misalignment between the Revenue Period and the tenor of debt available in the market;

   (b) debt fully amortising over the Revenue Period is not available on terms that the Authority considers efficient; or

   (c) a financing structure that provides for refinancing during the Revenue Period is expected to result in a lower net present value of the Tender Revenue Stream than a financing structure without such refinancing,

   and provided that the licensee has applied for such decision in compliance with paragraph 4.

4. Any application by the licensee for an Initial Agreed Refinancing Decision must:

   (a) be made prior to the TRS Commencement Date; and

   (b) include the evidence required by paragraph 3.

5. The licensee must not undertake an Agreed Refinancing unless:

(a) the Authority has made an Initial Agreed Refinancing Decision in respect of the relevant financing arrangements; and

(b) the Authority has issued an Agreed Refinancing Determination authorising the licensee to proceed with the Agreed Refinancing process.

6. The licensee must comply with any Initial Agreed Refinancing Decision, Agreed Refinancing Determination, direction, reporting requirement or implementation requirement issued by the Authority under this condition.

Part B: Monitoring and reporting before an Agreed Refinancing Proposal

7. The licensee must provide the Authority with periodic refinancing reports in accordance with Chapter 7 of the CATO Guidance and consistent with the timing, form and content specified by the Authority or set out in the Regulatory Instructions and Guidance.

8. Each refinancing report must include such information as the Authority may require for the purpose of assessing whether and when an Agreed Refinancing should proceed.

Part C: Agreed Refinancing Proposal and determination

9. Where the licensee considers that the timing is appropriate to proceed with an Agreed Refinancing, the licensee must submit an Agreed Refinancing Proposal to the Authority before commencing any refinancing Debt Funding Competition.

10. An Agreed Refinancing Proposal must include:

(a) a description of the financing arrangements to which the proposed Agreed Refinancing relates;

(b) the reasons why the licensee considers that the timing is appropriate to proceed with an Agreed Refinancing;

(c) the market evidence and lender engagement supporting the proposal;

(d) the proposed scope, timing and conduct of the refinancing Debt Funding Competition;

(e) the updated Financial Model and supporting calculations;

(f) the Refinancing Equity IRR;

(g) the expected impact of the proposed refinancing on the Tender Revenue Stream;

(h) any proposed treatment of break costs, fees, hedging, swaps, repayment profile, debt amount, tenor, pricing, commitment terms or other material financing assumptions; and

(i) any further information reasonably required by the Authority for the purpose of assessing the proposal.

11. Following receipt of an Agreed Refinancing Proposal, the Authority may require the licensee to provide clarifications, additional evidence, updated modelling, market

benchmarking, independent assurance or any other information required for the purpose of assessing the proposal.

12. The Authority may consult the ISOP, relevant advisers, lenders or any other person it considers appropriate before making an Agreed Refinancing Determination.

13. Following assessment of an Agreed Refinancing Proposal, the Authority may:

(a) approve the proposal;

(b) approve the proposal subject to modifications, conditions or implementation requirements;

(c) reject the proposal; or

(d) require the licensee to resubmit the proposal with further evidence or amendments.

14. An Agreed Refinancing Determination shall specify:

(e) the financing arrangements to which the determination applies;

(f) the basis on which the licensee may proceed with the refinancing Debt Funding Competition;

(g) any requirements for the scope, timing, conduct or oversight of the refinancing Debt Funding Competition;

(h) any approved assumptions to be used in the Financial Model for the purposes of the refinancing Debt Funding Competition;

(i) any reporting, notification or implementation requirements that apply to the licensee; and

(j) any other matter the Authority considers necessary to give effect to the Agreed Refinancing Determination.

Part D: Refinancing Debt Funding Competition and implementation

15. Where the Authority has issued an Agreed Refinancing Determination, the licensee must conduct the refinancing Debt Funding Competition in accordance with:

(a) the Agreed Refinancing Determination;

(b) this condition;

(c) Chapter 7 of the CATO Guidance; and

(d) any direction or requirement issued by the Authority.

16. The Authority will oversee the refinancing Debt Funding Competition and may require the licensee to provide information, evidence, modelling, assurance or updates during that process.

17. The licensee must not accept, enter into or implement refinancing terms arising from a refinancing Debt Funding Competition unless the Authority has confirmed that the outcome is consistent with the Agreed Refinancing Determination and this condition.

18. Following completion of the refinancing Debt Funding Competition, the licensee must provide the Authority with:

(e) the outcome of the refinancing Debt Funding Competition;

(f) the proposed financing terms;

(g) an updated Financial Model;

(h) supporting calculations showing the effect of the refinancing on the Tender Revenue Stream;

(i) evidence that the refinancing Debt Funding Competition was conducted in accordance with the Agreed Refinancing Determination; and

(j) any further information reasonably required by the Authority.

19. The Authority may determine the treatment of the refinancing Debt Funding Competition outcome, including:

(a) any approved changes to the Financial Model;

(b) the treatment of any positive or negative impact on the Tender Revenue Stream;

(c) whether any adjustment is to be made through the Tender Revenue Stream or any other revenue adjustment mechanism specified by the Authority;

(d) any restriction on the use of other refinancing provisions; and

(e) any post-completion reporting or assurance requirement.

20. An Agreed Refinancing pursuant to Part C of this condition is not subject to any refinancing gain share mechanism under this licence.

21. Any positive or negative impact of an Agreed Refinancing must be allocated fully to consumers through the Tender Revenue Stream or any other revenue adjustment mechanism specified by the Authority.

22. The licensee must not retain any gain, benefit, saving, premium, margin or other economic value arising from an Agreed Refinancing except to the extent expressly provided for in a determination or direction issued by the Authority.

23. The licensee must notify the Authority as soon as reasonably practicable if it becomes aware of any material change in circumstances that may affect:

(a) an Initial Agreed Refinancing Decision;

(b) an Agreed Refinancing Proposal;

(c) an Agreed Refinancing Determination;

(d) any refinancing Debt Funding Competition;

(e) the Financial Model;

(f) the Refinancing Equity IRR; or

(g) the Tender Revenue Stream.

24. The licensee must not implement any financing or refinancing in a manner that is materially different from the arrangements approved, accepted or determined by the Authority under this condition unless the Authority has approved that difference in writing.

Standard Condition F49 Arrangements for the handover of business

Purpose of this condition

1. This condition imposes duties on the licensee that are designed to ensure that the Transmission Business will be transferred without disruption and in an orderly manner to a CATO of Last Resort in the event of the revocation or expiry of this Licence or pursuant to direction by the Authority under this condition.

Facilitating handover to a CATO of Last Resort

2. The licensee shall take no steps that would have the effect, directly or indirectly, of avoiding or circumventing any handover of its Transmission Business to a CATO of Last Resort including:

   (a) if so required by the Authority, provide such reasonable support and assistance (including information) as may be specified to an appointed CATO of Last Resort; and

   (b) ensuring that any contracts entered into to deliver the licensee's transmission system must be capable of novation to a CATO of Last Resort, including following the expiry or any revocation of this licence.

3. Within 12 months after the date on which this licence was granted, the licensee must submit to the Authority a Business Handover Plan prepared for the purposes of this condition that details how the licensee will facilitate the handover of its Transmission Business to a CATO of Last Resort.

4. In preparing a Business Handover Plan for submission to the Authority, the licensee must take all reasonable steps to ascertain and take account of the views of the Authority and other relevant market parties.

Transfer of the Transmission Business

5. The Authority may make a property scheme under Schedule 2A of the Act for the purpose of ensuring that the Transmission Business is handed over to the selected CATO of Last Resort.

Standard Condition F50 Competitively Appointed Transmission Owner of Last Resort (CATO OLR)

1. The licensee shall participate in any CATO of Last Resort Appointment Process unless it notifies the Authority and demonstrates to the Authority's satisfaction that:
   - (a) it would materially prejudice the licensee's ability to continue to carry out its activities pursuant to its licence and fulfil its contractual obligations under any relevant Codes; or
   - (b) it will be unable to finance its licensable activities if it was serviced with a Last Resort Direction.
2. The licensee shall at all times comply with any Section F (CATO of Last Resort) Direction that has been given or varied by the Authority pursuant any process carried out by the Authority to appoint a CATO of Last Resort and in which process the licensee has participated.
3. A Section F (CATO of Last Resort) Direction shall not take effect unless the Authority has formally proposed modifications to the conditions of this licence, pursuant to section 11A of the Act, that will prescribe the rights and obligations of the licensee with respect to the relevant Transmission Assets, including the annual revenue that the licensee is able to earn for providing Transmission Owner Services through the relevant Transmission Assets in an economic and efficient manner, and that the modifications are made by the Authority in accordance with section 11A to section 11H of the Act.

Special Condition 1 Milestone Payments

Purpose of this condition

1. The purpose of this condition is to establish the value and timing of Milestone Payments to be made in advance of the Commencement Relevant Year.
2. The entitlement of the licensee to Milestone Payments, determined in accordance with paragraphs 4 and 5 below, shall commence upon the date this condition comes into force, subject to the fulfilment of the milestones set out in this Condition.
3. Any Milestone Payments recoverable prior to the PPWCA Date shall be deducted in determining the Base Revenue pursuant to the Milestone Payment Adjustment in accordance with condition F42 (Restriction of Transmission Revenue from Transmission Owner Services).

Entitlement to Milestone Payments

4. The licensee may take all appropriate steps to recover any Milestone Payments in each Year t (MPt) following completion of the milestones set out in the table at paragraph 5 below, as if such payment is Regulated Transmission Revenue in the relevant Regulatory Year.

5. The value of MPt shall take the value shown in the table below:

Milestone	**MPt**	**Relevant Year for recovery of MPt**
[…]	**[**Value of milestone stated in relevant tender documents**]**	Regulatory Year following confirmation from the Authority that the relevant Milestone has been Fully Delivered

6. When the licensee considers that it has Fully Delivered any Milestone set out above, it will submit evidence to the Authority of such delivery and the costs incurred in such delivery. Following receipt of the Authority's confirmation, the licensee may recover the relevant Milestone Payment in the Regulatory Year following receipt of such confirmation as if such payment is Regulated Transmission Revenue in that Regulatory Year.

Milestone Payments Process Guidance

7. The licensee must comply with the processes and requirements set out in chapter 3 of the CATO Guidance on the Milestone Payments Process.

Schedule 1: Specified Area

1. This licence is granted for the "[xxx] transmission system" within the Specified Area (stated in Schedule 1 (Specified Area) of this licence) and more particularly defined in paragraph 2.

2. In this schedule, the "[xxx] transmission system" means the Transmission System that is part of the National Electricity Transmission System that contains the licensed assets (defined below) together with all associated cables, transformers, switchgear and connections, and all other plant or equipment making up or supporting the said transmission system with the benefit, subject to the applicable conditions therein, of all wayleaves and/or servitude rights relating thereto:

   [……….]

3. In this schedule, the Transmission System Area is the geographic area set out:
   - (a) before the Authority makes a PPWCA Determination, in Part A of the Technical Annex; or
   - (b) after the PPWCA Determination, in Part B of the Technical Annex.
4. The connection points of the Licensee's Transmission System are defined by the circuit diagram in Part B of the Technical Annex.

Schedule 2: Revocation

1. The Authority may at any time revoke the licence by giving not less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f)) in writing to the licensee:
   - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
   - (b) if any amount payable under condition A4 (Payments by Licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth after the day on which the amount payable became due;
   - (c) if the licensee fails:
     - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
     - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or

before the proceedings relating to any such application are finally determined;

(d) if the licensee fails to comply with:

(i) an order made by the court under section 34 of the Competition Act 1998;

(ii) an order made by the Authority under sections 158 or 160 of the Enterprise Act 2002;

(iii) an order made by the Competition Commission under sections 76, 81, 83, 84 and 161 of the Enterprise Act 2002;

(iv) an order made by the Secretary of State under sections 66, 147, 160 or 161 of the Enterprise Act 2002;

(e) if the licensee:

(i) has not commenced carrying on the Transmission Business within 3 years of the Target TRS Delivery Date;

(ii) has not commenced operation of the Transmission System to which this licence relates within 3 years of the Target Revenue Date

(iii) has ceased to participate in the transmission of electricity for the purpose of this licence;

(iv) has not been certified by the Authority in accordance with section 10D of the Act as complying with the requirement of the section 10A of the Act; or has not continued to be certified by the Authority in accordance with section 10I and section 10L of the Act as complying with the requirement of section 10A of the Act.

(f) if the licensee:

(v) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);

(vi) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;

(vii) has an administration order under section 8 of the Insolvency Act 1989 made in relation to it;

(viii) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or

(ix) becomes subject to an order for winding-up by a court of competent jurisdiction.

2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1989 shall have effect as if for "£750" there was substituted "£250,000" or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.

3. The licensee shall not be deemed to be unable to pay its debts for the purposes of subparagraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1989 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

4. The Authority may at any time revoke the licence by giving no less than 7 days' notice in writing to the licensee where the Authority is satisfied that there has been a material misstatement (of fact) by, or on behalf of the licensee, in making its application for the licence.