

Competitively Appointed Transmission Owner (CATO) licence – Definitions

Acceptable Bank	means a bank or other regulated financial institution situated in the United Kingdom that has an Acceptable Credit Rating;
Acceptable Credit Rating	means an assessment by at least two of Fitch Ratings, Moody's and Standard and Poor's that the bank or other regulated financial institution has two investment grade ratings from Moody's, Fitch and Standard and Poor's;
Act	means the Electricity Act 1989;
Additional Works	means works that the licensee is required to carry out pursuant to an agreement entered into in accordance with condition F36 (Obligations in relation to offers for connection etc);
Affiliate	in relation to the licensee, means any holding company of the licensee, any subsidiary of the licensee, or any subsidiary of a holding company of the licensee;
Agreed Refinancing	means the whole or partial refinancing of the existing debt facilities as well as the amendment of terms and extension of the maturity of existing debt facilities, pursuant to condition F48 (Agreed Refinancing);
Agreed Refinancing Determination	means a determination issued by the Authority under paragraph 9 of condition F48 (Agreed Refinancing);
Agreed Refinancing Proposal	means a proposal submitted by the licensee under paragraph 10 of condition F48 (Agreed Refinancing);
agreed upon procedures	means procedures from time to time agreed between the Authority, the appropriate auditor, and the licensee for the purpose of enabling the appropriate auditor to review and report to the Authority on matters relating to the requirements referred to at paragraph 16 of condition F2 (Regulatory Accounts);
Allowed Revenue Term	means the period of 35 years commencing on the Target Commencement Date;
Allowed Security Cost	means any cost allowed by the Authority (upon receipt of such information, including a certificate from the Auditors, as the Authority may request) as being a cost which is directly

attributable to any action taken or omitted to be taken by the licensee in its capacity as holder of the licence for the purpose of complying with directions issued by the Secretary of State under section 34(4) of the Act;

Allowed Transmission Owner Revenue (CATOt)

means in the Commencement Relevant Year and every subsequent Relevant Year the revenue calculated in accordance with the formula set out in paragraph 4 of F42 (Restriction of Transmission Revenue from Transmission Owner Services);

Annual Report

means a report of that name published by the Authority under condition F14 (Regulatory Instructions and Guidance (RIGs));

applicable accounting framework

means:

- (a) in accordance with section 396 of the Companies Act 2006 (“Companies Act individual accounts”), or in accordance with international accounting standards (“IAS individual accounts”) or
- (b) in accordance with section 403 Companies Act group accounts, or IAS.

applicable STC objectives

means the objectives set out in paragraph 3 of condition F11 (System Operator – Transmission Owner Code);

appropriate auditor

means:

- (a) in the case of a licensee that is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act;
- (b) in the case of any other licensee that is required by the law of a country or territory within the European Economic Area to appoint an auditor under provisions analogous to those of Chapter 2 of Part 16 of that Act, a person so appointed; and
- (c) in any other case, a person who is eligible for appointment as a company auditor under Part 42 of that Act;

Asset Transfer

means the transfer to the licensee of the transmission system to which this licence relates as set out in Annex B to Schedule 1 (Transmission System Area / Specified Area);

associate

means:

	(a) an affiliate or related undertaking of the licensee; (b) an ultimate controller of the licensee; (c) a participating owner of the licensee; or (d) a common control company;
associated business	means an affiliate, related undertaking, or business unit of the licensee or the ultimate controller of the licensee;
Auditors	means the licensee's auditors for the time being holding office in accordance with the requirements of the Companies Act 2006;
authorised	in relation to any business or activity, means authorised by licence granted or treated as granted under section 6 of the Act or, in appropriate cases, by exemption granted under section 5 of the Act;
Authority	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000;
Authority's Website	means www.ofgem.gov.uk ;
Average Specified Rate	means the average value of the Bank of England's Official Bank Rate (or any other bank as the Authority may from time to time direct) during the period in respect of which the calculation in question falls to be made;
Bid Baseline Solution	means the licensee's specification for its Transmission System to meet the requirements of the Technical Specification set out in part 2 of the Technical Annex;
Business Handover Plan	means a document prepared by the licensee that details how the licensee will facilitate the handover of its Transmission Business to a CATO of Last Resort in accordance with Standard Condition F49;
CATO Guidance	means the Competitively Appointed Transmission Owner Guidance (<i>to be</i>) published as an Associated Document to the licence;
CATO of Last Resort Appointment Process	means a process by which the Authority determines an appropriate licensee to provide any required Transmission Owner Services in respect of relevant Transmission Assets where: (a) an Onshore Transmission Tender Exercise pursuant to the Tender Regulations has failed to identify an appropriate licensee to construct relevant Transmission Assets;

- (b) the Authority intends to revoke the transmission licence of a CATO; or
- (c) the Authority intends to revoke a Section F (CATO of last resort) Direction given to another licensee;

certified

has the same meaning as in section 100 of the Act;

Change in Law

means the coming into effect after licence grant of any change:

- (a) to any law, any industry code or any material planning consent; or
- (b) in the interpretation or application of any law, any industry code or any material planning consent by any Competent Authority, and save (in each case) to the extent that the Change in Law:
 - (i) arises out of, or in connection with, a breach of or default under or with respect to, that law, industry code or material planning consent by the licensee;
 - (ii) arises out of, or in connection with, a failure by the licensee to act in accordance with good industry practice; or
 - (iii) represents no more than a continuous improvement or development of good practice which would be complied with in respect of a transmission owner acting in accordance with good industry practice;

Charge Restriction Conditions

means any condition (including, without limitation, any revenue restriction condition) of this licence which places a monetary limitation on the revenue which may be recovered by the licensee during a given period;

Closing Date

means the last day of the Allowed Revenue Term;

Closing Relevant Year

means the Relevant Year in which the Closing Date falls;

Code of Practice

means the Code Administration Code of Practice approved by the Authority and:

- (a) developed and maintained by the code administrators in existence from time to time; and

	(b) amended subject to the Authority's approval from time to time; and re-published from time to time;
Commencement Relevant Year	means the Relevant Year, commencing 1 April 20[xx], in which this condition comes into force. In this Relevant Year, $t=1$;
common control company	means any company, any of whose ultimate controllers (applying the definition set out in Part II (Definitions and interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee;
Competent Authority	means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Takeovers and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish and Welsh Ministers, ministry, official or public or statutory person (whether autonomous or not) of, or the government of the United Kingdom, the United States of America or the European Union;
Compliance Officer	has the meaning given in paragraph 1 of condition F26 (Appointment of Compliance Officer);
Confidential Information	means for the purposes of condition F25 (Restriction on use of certain information) means any information relating to or deriving from the management or operation of the Transmission Business;
Construction	means the works approved by the Authority for the purposes of constructing the licensee's Transmission System until commissioned;
control	has the same meaning as in section 100 of the Act;
coordination register	means a document prepared by a transmission owner in accordance with its obligations under paragraph 5 of condition F21 (Whole Electricity System Obligations), containing at a minimum the information specified in the Whole Electricity System Guidance;
CPIH	means: (a) all items index of consumer price inflation, including owner occupiers' housing costs, published by the Office for National Statistics; (b) if that index is no longer being published, such index as the Authority may reasonably

determine to be appropriate in the circumstances; or

- (c) if there is a material change to the basis of that index, such other index as the Authority may from time to time reasonably determine to be appropriate in the circumstances;

Credit Event

means

- (a) any of the following shall occur with respect to the Licensee (excluding a winding-up petition which the beneficiary considers to be frivolous or vexatious, or to have no real prospect of success, and which is discharged, stayed or dismissed within ten days of its presentation and, in any event, before it is advertised):
 - (i) the licensee is unable or admits inability to pay its debts as they fall due or suspends making payments on any of its debts; or
 - (ii) a moratorium is declared in respect of any indebtedness of the licensee;
 - (iii) any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the licensee;
 - (B) a composition, compromise, assignment or arrangement with any creditor of the licensee; or
 - (C) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect the licensee or any of its assets; or
- (b) any analogous procedure or step is taken in any jurisdiction;

Crown Estate Lease	means any lease, licence, or agreement between the licensee and the Crown Estate relating to the use of Crown Estate property to enable the transmission of electricity over the Licensee's Transmission System;
Cumulative Relative Increase in Capex	means for the purposes of conditions F43 and F36 of this licence means the aggregate percentage increase in capital expenditure incurred, or expected to be incurred, by the licensee in respect of the licensee's transmission system as a result of any works or activities required under this condition, relative to the capital expenditure forecast for that transmission system at the date on which this condition came into effect;
Data	means the relevant submissions to the Authority under this licence in respect of which the licensee must carry out a Risk Assessment, as specified in the Data Assurance Guidance;
Data Assurance Activity	means, in respect of Data, the activity undertaken by the licensee (or a person nominated by the Authority, as the case may be) to address the risks identified in the Risk Assessment;
Data Assurance Guidance	means the document issued by the Authority from time to time pursuant to a direction under Condition F32 (Data Assurance Requirements), paragraph 4;
Debt Funding Competition	means the competitive process by which the licensee obtains debt financing for the development, construction and operation of the licensee's Transmission System;
Decommissioning Plan	means the plan for the decommissioning of the Transmission Assets of the licensee referred to in the Project Specification and reflected in the Financial Model.
Delivery Security Arrangements	has the meaning given in paragraph 3 of condition F39 (Requirement for Security During Construction)
Delivery Security Trust Account	means a dedicated and segregated bank account in the name of the licensee: (a) with a bank branch in England and Wales; (b) over which the licensee has declared a trust in favour of the Delivery Security Trust Beneficiaries in the form published on the Authority's website that meets the following requirements: (i) the trust provides for the licensee to hold the entire benefit of the Delivery Security Trust Account, and all funds

- from time to time standing to the credit of the Delivery Security Trust Account, on trust for the Delivery Security Trust Beneficiaries as the only beneficiaries;
- (ii) the trust allows funds standing to the credit of the Delivery Security Trust Account in excess of the then applicable Protected Amount to be released from the Delivery Security Trust Account to a general operations account of the licensee;
 - (iii) the payment of the Protected Amount, following a Credit Event or a Licence Event, to the Delivery Security Trust Beneficiary nominated from time to time by the Authority;
 - (iv) the trust prohibits:
 - (A) any security being created by the licensee over the Delivery Security Trust Account;
 - (B) the Delivery Security Trust Account being overdrawn;
 - (C) withdrawals of the Protected Amount from the Delivery Security Trust Account other than: (1) in excess of the then applicable Protected Amount, (2) if the Authority determines that the Licensee no longer needs to hold its interest in Delivery Security Trust Account on trust, or (3) in accordance with directions by the Authority;
 - (D) the crediting of funds to the Delivery Security Trust Account that are not the Protected Amount or interest accruing on the Delivery Security Trust Account; and
 - (c) notice of such trust has been given to the relevant account bank;

Delivery Security Trust Beneficiaries means:

- (a) the licensee;
- (b) the Authority; and
- (c) any transmission owner or the ISOP as nominated by the Authority from time to time;

directions means, in the context of paragraph 6G(a) of condition F11 (System Operator – Transmission Owner Code), direction(s)

- (a) issued following publication of significant code review conclusions which will contain:
- (b) instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal;
- (c) the timetable for the licensee to comply with the Authority's direction(s); and
- (d) the Authority's reasons for its direction(s);

Disapplication Date means the date on which the licensee proposes that the Charge Restriction Conditions should be disapplied in whole or in part as specified in a Disapplication Request under condition F38 (Duration of Revenue Restriction Provisions);

Disapplication Notice means a notice to terminate the application of the Charge Restriction Conditions (in whole or in part) for the purposes of and in accordance with condition F38 (Duration of Revenue Restriction Provisions);

Disapplication Request means a request to disapply the Charge Restriction Conditions (in whole or in part) for the purposes of and in accordance with condition F38 (Duration of Revenue Restriction Provisions);

Discriminatory Change in Law means a Change in Law that specifically (and not merely indirectly or consequentially or by virtue of the disproportionate effect of any Change in Law that is of general application) applies to:

- (a) the development of the licensee's transmission system and not to the design, development, construction, conversion, installation, completion, testing, commissioning, operation, maintenance and decommissioning of any other project;
- (b) the licensee and not to any other person.

disposal includes

- (a) in relation to disposal of a relevant asset situated in England and Wales any sale, gift,

exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition;

- (b) in relation to disposal of a relevant asset situated in Scotland, the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land;

and "dispose" and cognate expressions shall be construed accordingly;

electricity distributor means any person who is authorised by a distribution licence to distribute electricity;

electricity markets means markets for electricity, including over-the-counter markets and electricity exchanges, markets for the trading of energy, capacity, balancing and ancillary services in all timeframes, including forward, day-ahead and intraday markets;

Electricity Regulation means Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006;

electricity storage means the conversion of electrical energy into a form of energy that can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy;

electricity storage facility means a facility where electricity storage occurs;

Equity IRR has the meaning given to that term in paragraph 3(c) of condition F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments);

Event means any unscheduled or unplanned occurrence on, or relating to, a Transmission System including, without limitation, faults, incidents, breakdowns and adverse weather conditions;

Examiner	means, in relation to the RIGs, a person whose degree of knowledge and experience of the matters that are the subject of the RIGs will enable them to properly carry out and complete the tasks required of them under the terms of their nomination by the Authority pursuant to the provisions of the RIGs;
Exceptional Event	means an Event or circumstance that is beyond the reasonable control of the licensee and which results in or causes a Transmission Service Reduction and includes (without limitation) an event of Force Majeure. For the avoidance of doubt, weather events do not constitute force majeure;
Excluded Services	means those services provided by the licensee as part of its Transmission Business which in accordance with the principles set out in paragraph 7 of condition F27 (Excluded services), are to be treated as Excluded Services;
External Transmission Activities	means any business of the licensee or any affiliate or related undertaking of the licensee comprising or ancillary to the maintenance, repair or operation of in an emergency of any electricity Distribution System or any part of the National Electricity Transmission System other than the licensee's Transmission System;
fast track self-governance criteria	means that a proposal, if implemented, (a) would meet the self-governance criteria; and (b) is properly a housekeeping modification required as a result of some error or factual change, including but not limited to: (i) updating names or addresses listed in the STC; (ii) correcting minor typographical errors; (iii) correcting formatting and consistency errors, such as paragraph numbering; or updating out of date references to other documents or paragraphs.
Financial Close	means the closing of the licensee's arrangements pursuant to F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments) for the debt funding of the development of the licensee's transmission system;
Financial Model	means the financial model submitted by the licensee to the Authority and approved by the Authority prior to the grant of this Licence, and identified in the Project Specification, as

from time to time updated and revised in accordance with these conditions;

Financial Year

means a period of 12 months beginning on 1st April of each year and ending on 31st March of the following calendar year;

Financing Terms

means terms of debt financing (other than Market Rates) as to which assumptions are set out in the Tender Term Sheet, or equivalent or analogous terms of any option for debt financing Approved by the Authority under F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments);

First Demand Guarantee means:

- (a) An irrevocable, independent, primary and autonomous (in all circumstances) guarantee in the form published on the Authority's website from time to time provided by a person established within the United Kingdom or in an EU member state, or European Economic Area member state, that is bound by the 2005 Hague Convention on Choice of Court Agreements and has incorporated that convention into its laws, with a long term credit rating by at least two of Fitch Ratings, Moody's and Standard and Poor's that the guarantor has a long-term debt rating that is investment grade on issuance and maintained throughout the tenor of the First Demand Guarantee and that meets the following requirements:
- (b) it does not contain any surety defence waivers or other drafting that is more characteristic of a suretyship guarantee than a primary and autonomous first demand instrument;
- (c) it is issued in favour of the Authority as the beneficiary, or in favour of any other beneficiary that the Authority shall nominate;
- (d) it expressly provides the Authority with the right freely to assign the proceeds of any drawing under the First Demand Guarantee;
- (e) it is available for drawing on demand for throughout its tenor, with that tenor automatically extending annually by 365 days unless the beneficiary receives a notice no

earlier than 60, and no later than 45, clear days before the date upon which that tenor would otherwise automatically extend, stating that the tenor of the First Demand Guarantee shall not extend beyond that date (a "Non-Extension Notice");

- (f) it provides for a compliant demand to state that, by reason of
 - (i) certain specified insolvency events occurring with respect to the licensee or any of its assets, or receipt by the beneficiary of a Non-Extension Notice under and relating to that First Demand Guarantee; or
 - (ii) revocation or surrender of the licensee's licence, the beneficiary is entitled to demand, and does demand, payment of an amount equal to, or less than, the Protected Amount prevailing on the date of the demand and provides a form of compliant demand in an annex to the guarantee;
- (g) it provides for all demands to be full, final, binding and conclusive proof for all purposes of the guarantee of their contents, including (without limitation) that the entity issuing such a guarantee may not dispute any demand on these matters;
- (h) it permits partial and multiple demands that, in aggregate, do not exceed the then-current Protected Amount;
- (i) it provides for the Protected Amount to be available for drawing throughout its tenor
- (j) it provides for all payments under the guarantee to be made in full, on demand and without any deduction for or on account of any type of setoff or counterclaim to such entity and account as the beneficiary shall specify in a demand; and
- (k) the guarantee is in the form published on the Authority's website from time to time;

Fit and Proper Person Assessment

means an assessment of significant commercial/personnel developments by the Authority against the suitability requirements for the grant of a transmission licence as

published from time to time pursuant to The Electricity (Applications for Licences, Modifications of an Area and Extensions and Restrictions of Licences) Regulations 2019 and associated guidance;

Force Majeure

means any Event or circumstance which is beyond the reasonable control of the licensee including act of God, strike, lockout or other industrial disturbance, act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, lightning, fire, storm, flood, earthquake, accumulation of snow or ice, lack of water arising from weather or environmental problems, explosion, governmental restraint, Act of Parliament, other legislation, bye law and Directive (not being any order, regulation or direction under sections 32, 33, 34 and 35 of the Act) and provided, for the avoidance of doubt, that weather conditions which are reasonably to be expected at the location of the Event or circumstance are also excluded as not being beyond the reasonable control of the licensee;

Fully Delivered

means the Authority has determined that the output specified in the relevant licence condition has been delivered in full and is available for use by the ISOP;

Good Industry Practice

means the exercise of that degree of skill, diligence, prudence and foresight that would reasonably and ordinarily be expected from a skilled and experienced person complying with all applicable legal requirements and with relevant good practice (as determined based on guidance from any competent authority) and engaged in the same type of undertaking under the same or similar circumstances, and taking account of relevant guidance;

Health Review

means a review of the condition of the licensee's Transmission System to be carried out by the licensee, the scope and timing of which shall be approved in writing in advance with the Authority in accordance with guidance issued by the Authority (as amended from time to time);

Holding Company

means a holding company within the meaning of section 1159 of the Companies Act 2006;

Incentive Period y

means the twelve month period commencing 1 January of Relevant Year t-2 and ending 31 December of Relevant Year t-1 (inclusive);

Income Adjusting Event	has the meaning set out in paragraph 26 of condition F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments);
Indexed Costs	means the Project Costs stated in the Project Specification as being subject to indexation prior to the TRS Commencement Date in accordance with the Project Indices;
Initial Agreed Refinancing Decision	means a decision by the Authority, made before commencement of the Tender Revenue Stream, that an Agreed Refinancing may be permitted in respect of specified financing arrangements;
Initial Bid Design and Parameters	means the licensee's specification for its Transmission System as submitted during the Onshore Transmission Tender Exercise and included in Part A of the Technical Annex;
Instrument Credit Rating	means: (a) a "Long-Term Issue Credit Rating" by Standard & Poor's Ratings Group or any of its subsidiaries; (b) a "Long-Term Obligation Rating" by Moody's Investors Services Inc. or any of its subsidiaries; (c) a rating on the "Structured, Project & Public Finance Obligations Long Term Ratings Scale" by Fitch Ratings Ltd or any of its subsidiaries; (d) a rating which, the Authority directs, is equivalent to those referred to in sub-paragraphs (a), (b), or (c) and issued by: (i) any of the credit rating agencies as referred to in sub-paragraphs (a), (b), or (c); or (ii) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America;
Internal Debt	for the purposes condition F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments) means debt of the licensee;

intervention plan

means a document or set of documents (which may be in a suitably secure electronic format) containing information that would be sufficient to allow an energy administrator (within the meaning of Chapter 3 of Part 3 of the Energy Act 2004) readily to obtain information on:

- (a) the financial assets, resources, and facilities of the licensee;
- (b) the non-financial assets, rights, and resources of the licensee including information on key management and operational personnel and information technology systems;
- (c) the liabilities of the licensee, including contingent and contractual liabilities, with counterparty and maturity information;
- (d) the tax affairs of the licensee;
- (e) the personnel of the licensee and any pension schemes sponsored or administered by the licensee;
- (f) any mortgages, charges, or other forms of security over the licensee's assets;
- (g) the systems and processes by which the licensee carries on the Transmission Business with information on any significant contractual arrangements, including those that impose obligations on the licensee;
- (h) any arrangements under which the licensee has relinquished operational control over relevant assets (as that term is defined in Standard Condition F3 (Disposal of relevant assets and restriction on charges over receivables)) to an associate of the licensee;
- (i) any contractual rights to receive cash or other financial assets from any associate of the licensee;
- (j) any contractual obligations to deliver cash or other financial assets to any associate of the licensee; and
- (k) the licensee's arrangements and procedures for ensuring compliance with legislative requirements and with its obligations under this licence, including price control reporting requirements;

ISOP	means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 who holds an electricity system operator licence and gas system planner licence;
ISP 98	Means the International Chamber of Commerce's International Standby Practices (ICC Publication No 590);
Last Resort Direction	means a Section F (CATO of last resort) Direction given by the Authority pursuant to condition F50 (Competitively Appointed Transmission Owner of Last Resort);
Letter of Credit	means an irrevocable, independent undertaking issued or confirmed by a financial institution under which that institution is required to make Payment on Demand up to the Protected Amount in accordance with the terms of that undertaking;
Licence Event	means: (a) the Authority has revoked the licensee's licence; or (b) the licensee has surrendered its licence;
licensee's transmission system	means those parts of the national electricity transmission system which are a) owned by the licensee within its Transmission System Area; and, once Commissioned, b) operated by the ISOP;
Market Rates	means (a) interest rates; (b) consumer prices index swap rates; (c) gilt rates; (d) index linked debt reference rates; and (e) bond spreads;
maximum revenue	has the meaning given in condition A1 (Definitions) of the electricity system operator licence;
Milestone Payment	means a payment payable to the licensee pursuant to SC1 (Special Condition Milestone Payments) of this licence;
national electricity transmission system	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees, or operated by the ISOP, within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between substations or to or

from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee or the ISOP within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity;

Network Rates

means:

- (a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988 and hereditaments on the Local Rating Lists compiled under sections 41 and 41A of the Local Government Finance Act 1988; and
- (b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government (Scotland) Act 1975 and the Local Government etc. (Scotland) Act 1994;

**Network Rates
Revaluation**

means the exercise undertaken, typically at five yearly intervals, to reset the Network Rates payable by the licensee;

**Non-Chargeable Outage
Change**

means a change to the Outage Plan notified by the ISOP to which the licensee and the ISOP agree;

**Normal Capability
Limits**

means the technical limits that would normally apply to the provision of the licensee's Transmission Owner Services in accordance with the STC as at the date this condition comes into force;

Other Change in Law

means a Change in Law made by His Majesty's Government of the United Kingdom or which His Majesty's Government of the United Kingdom has formally required a Competent Authority to make and which in either such case has an undue (being not objectively justifiable) discriminatory effect on the out-of-pocket costs incurred or saved by the licensee or the Project Costs when compared with the out-of-pocket costs incurred or saved as a result of such Change in Law by all transmission owners in Great Britain;

Outage

means a planned temporary reduction in the extent to which Transmission Owner Services are provided by the licensee;

Outage Change

means a change notified to the licensee by the ISOP on or after week 49 of the calendar year to the Outage Plan, as

updated from time to time in accordance with the STC as at the date this condition comes into force, other than:

- (a) the Original Change, and
- (b) such changes notified to the licensee by the ISOP which:
 - (i) the licensee and the ISOP agree are necessary in order to give effect to the Original Change, or
 - (ii) where there is a failure to agree, the Authority determines are necessary in order to give effect to the Original Change; and
- (c) without prejudice to subparagraphs (a) and (b) above, a Non-Chargeable Outage Change;

Outage Plan

means the plan for the placement of Outages for each Financial Year developed and maintained by the ISOP in accordance with the STC as at the date this condition comes into force;

participating interest

has the meaning given in section 421A of the Financial Services and Markets Act 2000;

participating owner

For the purposes of the definition of associate above, a person is subject to a participating interest by another person (a “participating owner”) if:

- (a) that other person holds a participating interest in the person; or
- (b) the person is subject to a participating interest by a person who is himself subject to a participating interest by that other person;

party entry processes

means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement;

Payment on Demand

Means immediate, unconditional and irrevocable payment of any amount demanded by the Authority which is equal to or less than the Protected Amount. For an SBLC or First Demand Guarantee, Payment on Demand may only be deferred for such period of days as may be specified on the face of the SBLC or First Demand Guarantee in question;

Permissible Project Changes

means any of the following changes that affect the development of the licensee's Transmission System and cause a change in Project Cost (whether upwards or downwards):

- (a) Force Majeure;
- (b) Qualifying Change in Law; and
- (c) any other change that was not reasonably foreseeable to a reasonable and prudent potential licensee undertaking reasonable desktop studies for the purposes of making a tender proposal for the delivery of the requirements of the Technical Annex;

person from a country outside the United Kingdom	has the same meaning as in section 100 of the Act;
Post Adjustment Technical Specification	means the final technical specification for the licensee's Transmission System following the determination(s) of the Authority on the PPWCA pursuant to condition (Application for PPWCA Adjustment);
Post-Adjustment Solution	means the final technical specification for the licensee's Transmission System following the determination(s) of the Authority on the PPWCA pursuant to condition F46 (Application for PPWCA Adjustment) and F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments), as set out in part 3 of the Technical Annex;
Post-Financial Close Revenue Adjustments	means the items referred to in paragraph 2 of condition F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments);
PPWCA Adjustment	has the meaning given in condition F42 (Restriction on Transmission Revenue: Revenue from Transmission Owner Services);
PPWCA Date	the earlier of: (a) 6 months following the licensee obtaining all material planning consents; and (b) any date directed by the Authority;
PPWCA Matters	means the matters in respect of which the licensee is required to include its forecasts, estimates, projections, assessments, statements, outcomes or other proposals in the PPWCA Submission;
PPWCA or Post Preliminary Works Cost Assessment	means the Authority's assessment of the licensee's application for a PPWCA Adjustment pursuant to this condition;
Pre-Construction Works	means: (a) surveys, assessments and studies;

- (b) project design;
- (c) engineering development;
- (d) stakeholder engagement and consultation;
- (e) tasks associated with wayleaves;
- (f) planning applications; and
- (g) tender activities
- (h) other activities as may be approved by the Authority undertaken for the purposes of developing the licensee's Transmission System to the point where all material planning consents have been obtained and the licensee is ready to begin construction.

Project	means the transmission project in respect of which this licence has been granted;
Project Costs	means the schedule of costs (whether capital or operating) related to planning, developing, operating and maintaining the licensee's transmission system, as set out initially in the Initial Bid Design and Parameters and updated following a PPWCA Determination;
Project Indices	means the indexes listed in the Initial Bid Design and Parameters to be used to calculate the Pre-construction Indexation Adjustment and the Construction Indexation Adjustment;
Protect	To put in place, and continuously maintain in effect, a Delivery Security Arrangement in respect of the Protected Amount that protects that sum of money in the event of the licensee being subject to specified insolvency events, licence revocation or licence surrender. "Protecting" and "Protection" shall be construed accordingly and shall extend to requiring that SBLCs or First Demand Guarantees be available for drawing if a Non-Extension Notice (as defined above or, as applicable, below) is served under the instrument in question on the beneficiary of that instrument;
Protected Amount	means the amount specified and/or calculated in accordance with paragraph 5 of this condition;
Qualifying Change in Law	means: (a) a Discriminatory Change in Law; (b) a Specific Change in Law; or (c) an Other Change in Law,

which, in each case, is not determined by the Authority to be reasonably foreseeable at the time of the licensee's bid submission;

qualifying group company

means:

- (a) an immediate parent company of the licensee that holds 100% of the shares of the licensee and no other shares except for shares in one or more wholly-owned subsidiaries, each of which is the holder of a gas transporter licence or an electricity transmission licence or an electricity distribution licence;
- (b) the parent company of a group whose other members may only include:
 - (i) a company meeting the criteria set out in sub-paragraph (a) or a subsidiary of such a company, of the type referred to in that subparagraph; and
 - (ii) intermediate holding companies between the parent company concerned and a company meeting the criteria set out in subparagraph (b)(i) provided that such intermediate holding companies:
 - (A) have no shareholders other than the parent company concerned or another intermediate holding company; and
 - (B) hold no shares other than shares in a company meeting the criteria set out in sub-paragraph (a) or shares in another intermediate holding company; and
 - (C) intermediate holding companies meeting the criteria set out in subparagraph (b)(ii).

quoted company

has the meaning given to that term in section 385 of the Companies Act 2006;

receivable

means a contractual right to receive any sum or sums or any other financial asset from another person;

Refinancing Equity IRR

means the forecast equity internal rate of return calculated at the relevant refinancing point in accordance with Chapter 7 of the CATO Guidance;

Regulated Transmission Revenue	means the revenue (measured on Can accruals basis) derived from the provision of Transmission Owner Services (including to any separate business, other than the Transmission Business) in the Relevant Year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived;
Regulatory Accounts	means for the purposes of Condition F2 (Regulatory Accounts), F5 (Restriction on Activity and Financial Ring Fencing), F6 (Availability of Resources) only, the accounts required to be prepared by the licensee pursuant to condition F2 (Regulatory Accounts);
Related Undertaking	in relation to the licensee means any undertaking in which the licensee has a participating interest;
relevant asset	means any asset for the time being forming part of the national electricity transmission system, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property);
relevant date	has the same meaning as in section 10M of the Act;
Relevant Equity Transaction	means any transaction which: (a) involves the issue, sale (or otherwise transfer) or buy back of shares in the licensee; and/or (b) results in a change in an Ultimate Controller of the licensee.
Relevant Person	for the purposes of Condition F43 (Restriction of Transmission Revenue: Post-Financial Close Revenue Adjustments) means a shareholder of the licensee, an Affiliate of the licensee or a shareholder of an Affiliate of the licensee;
Relevant Year	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year;
Relevant Year t	means that Relevant Year for the purposes of which any calculation falls to be made;
relinquishment of operational agreement or control	includes, without limitation, entering into any arrangement whereby operational control of a relevant asset or relevant

	assets is not or ceases to be under the sole management of the licensee;
Renewable Energy Zone	means an area designated by Order in Council under section 84(4) of the Energy Act 2004;
RIGs	means the Regulatory Instructions and Guidance published by the Authority under condition F14;
Risk Assessment	means an assessment of the likelihood and potential impact of any inaccurate or incomplete reporting, or any misreporting, of data by the licensee to the Authority under this licence;
Section F (CATO of Last Resort) Direction	means a process by which the Authority determines an appropriate licensee to provide any required Transmission Owner Services in respect of relevant Transmission Assets where: (a) an Onshore Transmission Tender Exercise pursuant to the Tender Regulations has failed to identify an appropriate licensee to construct relevant Transmission Assets; (b) the Authority intends to revoke the transmission licence of a CATO; or (c) the Authority intends to revoke a Section F (CATO of last resort) Direction given to another licensee;
Section F (CATO of Last Resort) Direction	means a direction issued by the Authority following a CATO of Last Resort Appointment Process requiring the licensee to provide Transmission Owner Services in respect of the Transmission Assets specified in the direction;
Security Period	means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Act enters effect and terminating on the date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine after having regard to the views of such persons;
Security Period	means the date of licence grant until the TRS Commencement Date;
segmental information	means such financial and descriptive information in respect of the transmission owner activities of the licensee as would be required to be disclosed under International Financial

Reporting Standard 8 (or Statement of Standard Accounting practice 25, or successor standards under any applicable accounting framework) if each of those activities was an operating segment (or reportable segment) of the licensee within the meaning of the respective standards;

self-governance criteria

means that a proposal, if implemented:

- (a) is unlikely to have a material effect on:
 - (i) existing or future electricity consumers; and
 - (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and
 - (iii) the operation of the national electricity transmission system; and
 - (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and
 - (v) the STC's governance procedures or modification procedures, and
- (b) is unlikely to discriminate between different classes of STC parties.

self-governance statement

means a statement made by the panel and submitted to the Authority in accordance with paragraph 6A(a)(i) confirming that,

- (a) in its opinion, the self-governance criteria are met and the modification is suitable for the self-governance route; and
- (b) the panel's reasons for that opinion.

Service Capability Specification

means the specification of Transmission Owner Services provided and maintained in accordance with the STC;

Service Restoration Proposal

means any interim works or other actions which are able to be undertaken by a Transmission Owner to minimise the effect of a Services Reduction or Services Reduction Risk and including, where relevant:

- (a) any revised operational capability limits that would apply during the period of such Services Reduction or Services Reduction Risk;

- (b) restoring the Transmission Owner Services such that they are provided in accordance with their Services Capability Specification (and to their Normal Capability Limits); and
- (c) otherwise removing, mitigating or dealing with a Services Reduction Risk;

Services Reduction	means the licensee's Transmission Owner Services are not, other than by reason of an Outage, physically capable of being provided or are not capable, for immediate safety reasons or pursuant to environmental obligations, of being provided ;
Services Reduction Risk	means a risk, materially beyond the normal level of risk, of an imminent Services Reduction;
Settlement agreement for Scotland	means the agreement of that title, as nominated by the Authority for the purposes of this condition, to be prepared in accordance with and comprise such matters as are set out in condition F12 (Scottish Settlement Agreement)) in each of the electricity distribution licences of SP Distribution Limited, and Scottish Hydro-Electric Power Distribution Limited (and any other name by which any of these companies come to be known);
shareholder right	has the same meaning as in section 100 of the Act;
significant code review	means a review of one or more matters which the Authority considers likely to: (a) relate to the STC (either on its own or in conjunction with any other industry code(s)); and (b) be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act), statutory functions and/or relevant obligations arising under Retained EU Law; and (c) concerning which the Authority has issued a notice to the STC parties (among others, as appropriate) stating: (i) that the review will constitute a significant code review; (ii) the start date of the significant code review; and (d) the matters that will fall within the scope of the review.

**significant code review
phase**

means the period

- (a) commencing either:
 - (i) on the start date of a significant code review as stated by the Authority; or,
 - (ii) on the date the Authority makes a direction under paragraph 6GD of condition F11 (System Operator – Transmission Owner Code) (a “backstop direction”); and
- (b) ending either:
 - (i) on the date on which the Authority issues a statement under sub-paragraph 6G(b) of condition F11 (System Operator – Transmission Owner Code) that no directions will be issued in relation to the STC; or
 - (ii) if no statement is made under sub-paragraph 6G(b) or (bb) of condition F11 (System Operator – Transmission Owner Code), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under sub-paragraph 6G(a) of condition F11 (System Operator – Transmission Owner Code), or the Authority makes a modification proposal under paragraph 6G(ba) of condition F11 (System Operator – Transmission Owner Code); or
 - (iii) immediately under sub-paragraph 6G(c) of condition F11 (System Operator – Transmission Owner Code), if neither a statement, a modification proposal, nor directions are made by the Authority within (and including) twenty-eight (28) days from the Authority’s publication of its significant code review conclusions; or
 - (iv) if a statement has been made under subparagraph 6G(bb) of condition F11 (System Operator – Transmission Owner Code) or a direction has been made under paragraph 6GD of condition F11 (System Operator –

Transmission Owner Code), (a “backstop direction”) on the date specified in accordance with paragraph 6GA of condition F11 (System Operator – Transmission Owner Code).

Significant Instrument Credit Rating

means an Instrument Credit Rating relating to debt issued by the licensee or a funding vehicle of the licensee which represents more than 10% of the licensee’s total debt;

Significant Managerial Responsibility or Influence

means where a person plays a role in the making of decisions about how the whole or a substantial part of a licensee's activities are to be managed or organised; or the actual managing or organising of the whole or a substantial part of those activities.

Specific Change in Law

means a Change in Law that specifically (and not merely indirectly or consequentially or by virtue of the disproportionate effect of any Change in Law that is of general application) applies to:

- (a) the development, construction, operation and maintenance of transmission systems in Great Britain;
- (b) the holding of shares in companies, the membership of partnerships, limited partnerships or limited liability partnerships, the participation in joint ventures (whether or not incorporated) or the holding of any other economic interest in an undertaking whose main business is the development, construction, operation and maintenance of transmission systems in Great Britain.

Specified Information

Means information (or a category of information) that is so described or required in the RIGs;

Standby Letter of Credit or "SBLC"

An irrevocable, independent, primary and autonomous standby letter of credit in the form published on the Authority’s website from time to time, that is issued or confirmed by an Acceptable Bank in favour of the Authority, or any other beneficiary that the Authority may nominate, that meets the following requirements:

- (a) it must be available for drawing on demand throughout its tenor, with the tenor of the SBLC automatically renewing annually for 365 days, unless its issuing bank (or confirming bank) serves a notice on the beneficiary of the SBLC no earlier than 60,

and no later than 45, clear days before the date upon which the tenor of the SBLC would otherwise automatically extend, Such notice stating that the tenor of that SBLC shall not extend beyond that date (a "Non-Extension Notice");

- (b) it does not limit the ability of the beneficiary freely to assign the proceeds of any drawing under the SBLC;
- (c) a demand must either state that, by reason of (i) certain specified insolvency events occurring with respect to the licensee or any of its assets or receipt by the beneficiary of a Non-Extension Notice under and relating to the SBLC; or (ii) revocation or surrender of its licence, the beneficiary is entitled to demand, and does demand, payment of an amount equal to, or less than, the Protected Amount prevailing on the date of the demand;
- (d) all demands to be full, final and conclusive proof for all purposes of the SBLC of their contents, including (without limitation) as to statements (i) or (ii) in the previous bullet point and neither the issuing bank nor any confirming bank may look behind any demand on these matters;
- (e) a form of a compliant demand shall be annexed to the SBLC;
- (f) partial and multiple demands permitted in aggregate total amount up to the maximum amount of the SBLC;
- (g) all payments under the SBLC shall be made in full, on demand and without any deduction for or on account of any type of set-off or counterclaim to such entity and account as the beneficiary shall specify in a demand under the SBLC; and
- (h) the SBLC is expressed to be governed by UCP 600 (excluding article 32) or ISP 98, governed by English law, with an exclusive jurisdiction clause in favour of the English courts.

STC

means the document required to be in place pursuant to condition F11 (System Operator – Transmission Owner

Code) as from time to time amended in accordance with that condition;

STC	means the ISOP - Transmission Owner Code, being a document which 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 Owner Services are to be provided together with any associated arrangements;
STC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the STC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State;
STC Procedures	means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC;
Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006;
System Operator	means the ISOP;
system resilience	means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity;
Target Availability	means the target availability for the licensee's transmission system in percentage terms and is set at 98 per cent of the capacity of the transmission system in each Relevant Year;
Target TRS Commencement Date	means the target date for the licensee's transmission system to be available for operation, specified in the Project Specification, as adjusted under condition F46 (PPWCA);
Technical Annex	means the Annex to this Special Condition F29 (Commercial condition) in three parts containing the Tendered Scope of Works, the Bid Baseline Solution and the Post-Adjustment Solution;
Technical Specification	means the required output specification of the licensee's Transmission System set out in part C of the Technical Annex;
Tender Base Date	means the base date (as of which TRS is stated) specified in the Project Specification;

Tender Documents	The documents produced by the ISOP and/or the Authority for the purpose of the tender exercise pursuant to The Electricity (Early-Model Competitive Tenders for Onshore Transmission Licences) Regulations 2025 for the Transmission System;
Tender Revenue Stream (TRS)	means the revenue payable to the licensee in accordance with condition F42 (Restriction of Transmission Revenue from Transmission Owner Services);
Tender Term Sheet	means the term sheet, referred to in the Project Specification, setting out assumed Financing Terms upon which TRS is based;
Tendered Scope of Works	means the output specification of the licensee's Transmission System set out in part 1 to the Technical Annex;
the Act	means the Electricity Act 1989;
TO Offer	means an offer made by a STC party to enter into an agreement with the ISOP; (a) pursuant to standard condition D4A (Obligations in relation to offers for connection etc) or, standard condition D16 (Requirements of a connect and manage connection); or (b) pursuant to standard condition E17(Obligations in relation to offers for connection etc) or (c) condition F37 (Requirements of a connect and manage connection)or condition F36 (Obligations in relation to offers for connection etc); or (d) pursuant to the STC
total system	means the national electricity transmission system and the distribution systems of all authorised electricity operators which are located in the national electricity transmission system operator area;
transition modification provisions	means the provisions of this condition which apply or applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances;
Transmission Assets	means the transmission system to which the licensee's Transmission Owner licence relates as set out in Annex B to

	amended Schedule 1 (Transmission System Area / Specified Area) in the licensee's Transmission Owner Licence;
Transmission Business	means the authorised business of the licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance of the licensee's transmission system or the national electricity transmission system or the provision of Transmission Owner Services (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Act) , but shall not include any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons;
Transmission Licence	means a licence granted or treated as granted under section 6(1)(b) of the Act;
Transmission Licensee	means the holder for the time being of a transmission licence;
transmission owner activity	means: the activity permitted to the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section F (transmission owner standard conditions) Direction and where Section F remains in effect whether or not terms included in a Section F (transmission owner standard conditions) Direction (or to any subsequent variation of its terms to which the licensee may be subject);
Transmission Owner Charges	means the charges for the matters specified in paragraph 2 of condition F41 (Basis of Transmission Owner Charges);
Transmission Owner Services	means all services provided as part of the Transmission Business other than Excluded Services;
Transmission Service Reduction	means a reduction in Transmission Owner Services from the Target Availability and the other parameters and levels set out in Part A – Tendered Scope of Works of the Technical Annex, pursuant to condition F29 (Commercial condition);
Transmission System	means those parts of the national electricity transmission system which are: (a) owned by a transmission owner within its transmission area; or (b) operated by the ISOP
Transmission System Area	means the part of the National Electricity Transmission System specified in Schedule 1 (Transmission System Area / Specified Area) of the licensee's transmission licence that contains the licensed assets as approved by the Authority;

Transmission System Availability Incentive	means the revenue adjustment calculated in accordance with the formula set out in Part A of condition F45 (Restriction of Transmission Revenue: Adjustments);
transmission system user	means a person producing electricity that is being conveyed by means of that transmission owner's system or a customer who owns or who occupies premises that are directly connected to that transmission owner's system;
TRS Commencement Date	means the date with effect from which the ISOP certifies that the licensee's transmission system is available to operate;
UCP 600	means the International Chamber of Commerce's Uniform Customs and Practice for Documentary Credits (2007 Revision);
UK Listing Authority	has the meaning given in section 72 of the Financial Services and Markets Act 2000 and refers to the Financial Services Authority when it acts in its capacity as the competent authority for the purposes of that section;
Ultimate Controller	means: (a) a holding company of the licensee which is not itself a subsidiary of another company; and (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of: (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or for which he is a beneficiary but excluding any director or employee of a corporate body in his capacity as such; (c) for the purposes of sub-paragraph (b) a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph; and (d) for the purposes of sub-paragraph (b), rights under contractual arrangements shall not

include any rights in or arising under the STC Framework Agreement which are exercisable by the ISOP or a transmission licensee over the activities of, or as against, another transmission licensee;

undertaking

means an undertaking within the meaning of section 1161 of the Companies Act 2006;

Uninsurable

means that the Authority determines either that:

- (a) Insurance is not available to the licensee in respect of all or part of its Transmission Assets in the Worldwide Transmission Asset Insurance Market with reputable insurers of good standing in respect of a Risk; or
- (b) the Insurance premium payable for insuring that Risk is at such a level that the Risk is deemed as not being insurable in the Worldwide Transmission Asset Insurance market with reputable insurers of good standing.

Where:

- (c) a Risk means the physical loss or damage requiring replacement or rectification of Transmission Assets, which is caused by a Latent Defect resulting from material, workmanship, design, plan or specification;
- (d) Insurance means the indemnity which would normally be covered by an Operational All Risk insurance policy with a LEG3/06 exclusion, or equivalent, which includes indemnity for the full cost of replacement or rectification of the Transmission Assets (but not improvement) rendered necessary by damage which is the consequence of a Latent Defect;
- (e) a Latent Defect means a flaw in Transmission Assets, which:
 - (i) is an actual defect in material workmanship design plan or specification, not the damage resulting from the defect; and
 - (ii) existed but which would not have been apparent to an efficient licensee in the position of the licensee at the time the

Transmission Assets were transferred to it;

- (f) LEG 3/06 means the London Engineering Group Unique Market Reference for the Model Improvement Defects Wording;
- (g) Worldwide Transmission Asset Insurance Market means all insurers who, after an exhaustive search, would reasonably be understood by an efficient licensee, in the position of the licensee, to be participating in the business of insuring Transmission Assets (to be determined by the Authority); and
- (h) (h) “Transmission Asset/s” means the transmission system to which the licensee’s Transmission Owner licence relates as set out in Annex B to amended Schedule 1 (Transmission System Area / Specified Area) in the licensee’s Transmission Owner Licence;

Whole Electricity System Guidance means the document of that name published on the Authority’s website for the purposes of this licence condition that provides guidance on compliance with this licence condition.