TRANSMISSION LICENCE STANDARD CONDITIONS

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SECTION A: INTERPRETATION, APPLICATION AND PAYMENTS

Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

the "Act"	means the Electricity Act 1989.
"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.
the "Agency"	means the European Union Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 as it had effect immediately before IP completion day.
"ancillary services"	has the meaning given in condition A1 (Definitions) of the electricity system operator licence.
"applicable STC objectives"	for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.
"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.
"authorised electricity operator"	means any person (other than the licensee) who is authorised to hold an electricity system operator licence, or to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an interconnector.
the "Authority"	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.
"BETTA"	means the British electricity trading and transmission arrangements which are provided for in Chapter 1 of Part 3 of the Energy Act 2004.
"BETTA go-live date"	means the date which the Secretary of State indicates in a direction shall be the BETTA go-live date.
"BSC"	means the Balancing and Settlement Code ~~provided for in condition E1 of the electricity system operator licence, as from time to time modified in accordance with that condition.~~ designated by the Secretary of State under section 182 1(b) of the Energy Act 2023;
"Citizens Advice"	means the National Association of Citizens Advice Bureaux.

“Citizens Advice Scotland”	means the Scottish Association of Citizens Advice Bureaux.
“Codes”	means any or all of the CUSC, BSC, Grid Code, STC and any Scottish grid code as the context requires.
“connect and manage applicant”	means a person seeking a connect and manage connection to the national electricity transmission system or distribution system by submitting a connect and manage application to the ISOP;
“connect and manage application”	means an application from a connect and manage applicant for connection to the national electricity transmission system or distribution system or for modification to an existing connection to the national electricity transmission system or distribution system after the connect and manage implementation date;
“connect and manage connection”	means the connection or modification of an existing connection to the national electricity transmission system or distribution system of a connect and manage applicant, that is dependent upon completion of enabling works but not on completion of wider works on the national electricity transmission system;
“connect and manage derogation”	for the purposes of Section D has the meanings given in standard condition D1 (Interpretation of Section D)

"connect and manage derogation criteria"	for the purposes of Section D has the meanings given in standard condition D1 (Interpretation of Section D)
"connect and manage derogation report"	for the purposes of Section D has the meanings given in standard condition D1 (Interpretation of Section D)
"connect and manage implementation date"	means the date which the Secretary of State determines shall be the connect and manage implementation date;
"connect and manage offer"	for the purposes of section D has the meanings given in standard condition D1 (Interpretation of Section D)
"connect and manage transferee"	means persons who have received or have accepted an interim connect and manage offer but who have not yet been connected to the national electricity transmission system or distribution system as at the connect and manage implementation date pursuant to that interim connect and manage offer;
"connect and manage transition period"	means the period ending 6 months after the connect and manage implementation date;
"connection date"	means the date on which a connect and manage applicant is connected to or able to use the national electricity transmission system or distribution system in accordance with a connect and manage offer;
"consolidated transmission business"	for the purposes of standard conditions B1 (Regulatory Accounts) and E2 (Regulatory

	Accounts) only, means the consolidation, for regulatory accounting purposes, of the business referred to in the definition of the "transmission business".
"Consumer Scotland"	means the body corporate established by the Consumer Scotland Act 2020.
"core industry documents"	means those documents which: (a) in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and authorised electricity operators, the subject matter of which relates to or is connected with the BSC or the balancing and settlement arrangements and (b) have been so designated by the Secretary of State.
"cross-default obligation"	means a term of any agreement or arrangement (not including any arrangements between any transmission licensee and the ISOP under the STC Framework Agreement) whereby the licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, increasing or of acceleration by reason of a default (howsoever such default may be described or defined) by any person other than the licensee unless:

	(i) that liability can arise only as the result of a default by a subsidiary of the licensee, (ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors, and (iii) that subsidiary carries on business only for a purpose within paragraph (a) of the definition of permitted purpose.
"customer"	means any person supplied or requiring to be supplied with electricity at any premises in the national electricity transmission system operator area but shall not include any authorised electricity operator in his capacity as such.
"CUSC"	means the Connection and Use of System Code provided for in condition E2 (Connection and Use of System Code (CUSC)) of the electricity system operator licence, as from time to time modified in accordance with that condition.
Data Assurance Guidance (DAG)	means the document issued by the Authority from time to time pursuant to a direction under Condition B23.

“disposal”	for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only, has the meaning given in each of those conditions.
“distribution licence”	means a distribution licence granted or treated as granted under section 6(1)(c) of the Act.
“distribution system”	means the system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor and used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to customers or authorised electricity operators or the ISOP and includes any electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but shall not include any part of the national electricity transmission system.
“the Electricity Directive”	means Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC as it has effect immediately before IP completion day as read with the modifications set out in the Act.
“electricity licensee”	means the holder of a licence granted under the Act.

"the 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 system operator licence"	means a licence granted or treated as granted under section 6(1)(da) of the Act.
"enabling works"	for the purposes of standard condition B19 has the meaning given in condition A1 (Definitions) of the electricity system operator licence and for the purposes of Section D has the meaning given in standard condition D1 (Interpretation of Section D)
"final proposals"	means the documents entitled RIIO-T1: Final Proposals for National Grid Electricity Transmission and National Grid Gas – Overview (Reference number: 169/12), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 17 December 2012; RIIO-T1 Final Proposals for SP Transmission Ltd and Scottish Hydro Electric Transmission Ltd (Reference number: 58/12), together with all of the supporting, associated and other relevant documents referred to in that document, which was published on 23 April 2012; and RIIO-T1: Final Proposals update

	letter in respect of the statutory consultation on the licence modifications for SP Transmission Ltd and Scottish Hydro Electric Transmission Plc (Reference number: 193/12), which was published on 21 December 2012.
"Financial Resilience Report"	means the report prepared by the licensee pursuant to Part C of Standard Condition B10.
"financial year"	means subject to standard E3 (Change of financial year) (where applicable) a period of 12 months beginning on 1st April of each year and ending on 31st March of the following calendar year
"Fuel Security Code"	means the document of that title designated as such by the Secretary of State as from time to time amended.
"generation set"	means any plant or apparatus for the production of electricity and shall where appropriate include a generating station comprising more than one generating set.
"Great Britain"	means the landmass of England and Wales and Scotland, including internal waters.
"Grid Code"	means the grid code required to be prepared by the ISOP pursuant to condition E3 (Grid Code) of the electricity system operator licence, as from time to time revised with the approval of the Authority.

“grid supply point”	means any point at which electricity is delivered from the national electricity transmission system to any distribution system.
“holding company”	means a holding company within the meaning of section 1159 of the Companies Act 2006.
“Housekeeping Modification”	means minor changes such as: (a) renumbering of paragraphs, capitalising defined terms and deleting transitional provisions that have expired; (b) corrections of evident mistakes including typographical errors, incorrect cross-references and formatting errors; (c) updates to: (i) version numbers of other documents mentioned in the licence; (ii) the titles of re-enacted legislation; names of bodies that have been renamed.
“Housekeeping Modification Working Group”	means a working group established for the purposes of considering proposed Housekeeping Modifications under Condition B24.
“indebtedness”	means all liabilities now or hereafter due, owing or incurred, whether actual or

	contingent, whether solely or jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.
"information"	includes any documents, accounts, estimates, returns, records, or reports and data in written, verbal or electronic form and information in any form or medium whatsoever, (whether or not prepared specifically at the request of the Authority) of any description specified by the Authority.
"interconnector(s)"	has the meaning given to 'electricity interconnector' in section 4(3E) of the Act.
"interim connect and manage offer"	means an offer for connection from the ISOP pursuant to the interim connect and manage framework in place between May 2009 and the connect and manage implementation date.
"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.
"Investment Grade"	means in relation to any Issuer Credit Rating or Instrument Credit Rating unless otherwise directed: (a) one of the following: (i) a rating of not less than BBB- by Standard & Poor's Ratings Group or any of its subsidiaries; (ii) a rating of not less than Baa3 by Moody's Investors Service Inc. or any of its subsidiaries; (iii) a rating of not less than BBB-by Fitch Ratings Ltd or any of its subsidiaries; (iv) in relation to Issuer Credit Ratings only, a rating of not less than BBB (low) by DBRS Ratings Limited or any of its affiliates; or (v) a rating which, the Authority directs, is equivalent to those referred to in sub-paragraphs (i), (ii), (iii) and (iv) issued by: (aa) any of the credit rating agencies referred to in sub-paragraphs (i), (ii), (iii) or (iv) or

	(bb) 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; or (b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.
"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.
"Issuer Credit Rating"	means (a) an issuer credit rating by Standard & Poor's Ratings Group or any of its subsidiaries; (b) an issuer credit rating by Moody's Investors Service Inc. or any of its subsidiaries; (c) an issuer credit rating by Fitch Ratings Ltd or any of its subsidiaries; (d) an issuer credit rating by DBRS Ratings Limited or any of its affiliates; or (e) a rating which, in the opinion of the Authority, notified in writing to the

	licensee, is equivalent to those referred to in sub-paragraphs (a), (b), (c) or (d) and issued by: (i) any of the credit rating agencies as referred to in sub-paragraphs (a), (b), (c) or (d) ; 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.
"IP completion day"	has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.
"legally binding decision of the European Commission and/or the Agency" and "legally binding decisions of the European Commission and/or the Agency"	means any relevant legally binding decision or decisions of the European Commission and/or the Agency, but a binding decision does not include a decision that is not, or so much of a decision as is not, Retained EU Law.
"licensee's 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.
"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 sub-stations 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.
"national electricity transmission system operator area"	means the area defined by that name as set out in the terms of the ISOP's electricity system operator licence.
"National Electricity Transmission System Security and Quality of Supply Standard (SQSS)"	means the security and quality of supply standard provided for in condition E7 of the electricity system operator licence, as from time to time modified in accordance with that condition.
"Negative Rating Action"	means a rating agency placing a rating on Negative Watch or a rating agency downgrading a rating to a lower rating.
"Negative Watch"	means the mechanism or mechanisms used by the relevant credit rating agency to identify an issuer that is at risk of a credit rating downgrade in the short or long term, including but not limited to negative designations of S&P CreditWatch, S&P

	Outlook, Fitch Rating Watch, Fitch Outlook, Moody's Watchlist, or Moody's Rating Outlook, as defined on the relevant rating agencies' websites from time to time.
"NIC funding mechanism"	has the meaning given in condition A1 (Definitions) of the electricity system operator licence.
"offshore transmission"	has the meaning given at section 6C of the Act
"offshore transmission owner"	means the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section E (offshore transmission owner standard conditions) Direction and where Section E remains in effect (whether or not subject to any terms included in a Section E (offshore transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).
"offshore transmission system"	means a transmission system that is used for purposes connected with offshore transmission.
"participating interest"	has the meaning given in Section 421A of the Financial Services and Markets Act 2000
"party entry processes"	for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.

"permitted purpose"	means the purpose of any or all of the following: (a) the transmission business, or any business or activity within the limits of paragraph 4 of standard condition B6 or E7 (Restriction on activity and financial ringfencing); (b) any business or activity to which the Authority has given its consent in writing in accordance with paragraph 3(d) of standard condition B6 or E7 (Restriction on activity and financial ringfencing); (c) without prejudice to the generality of subparagraphs (a) and (b), any payment or transaction lawfully made or undertaken by the licensee for a purpose within subparagraphs (i) to (vii) of standard condition B9 or E10, 1(b)(Indebtedness).
"Potential Mitigating Actions"	means actions designed to improve the Issuer Credit Rating, Significant Instrument Credit Rating and/or financial resilience, including but not limited to: (a) dividend restraint; (b) equity injection or other additional sources of finance; (c) profiling of investment within the Price Control Period;

	(d) cost reduction; (e) profiling of financial liabilities within the Price Control Period; and (f) if relevant, negotiations with lenders regarding covenants and possible exemptions.
"Price Control Period"	means the period of five years beginning on 1 April 2021 and ending on 31 March 2026.
"Published Rating Report"	means a rating action announcement, credit opinion report, rating report, research update or transaction update which: (a) specifically relates to the licensee, and (b) is published by any rating agency that is paid by the licensee (or a company in the licensee's group) to provide either an Issuer Credit Rating or a Significant Instrument Credit Rating.
"regulatory accounts"	means for the purposes of standard conditions B1 or E2 (Regulatory Accounts), B6 or E7 (Restriction on Activity and Financial Ring Fencing), B7 or E8 (Availability of Resources) only, the accounts required to be prepared by the licensee pursuant to standard condition B1 or E2 (Regulatory Accounts).
"Regulatory Year"	means a period of twelve months commencing on 1 April at 05:00 and ending on the following 1 April immediately before

	05:00. The first such Regulatory Year (t=1) commences on 1 April 2021 at 05:00 hours.
"related undertaking"	in relation to the licensee means any undertaking in which the licensee has a participating interest.
"relevant assets"	for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only has the meaning given in that condition.
"relinquishment of operational control"	for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only, has the meaning given in each of those conditions.
"Renewable Energy Zone"	means an area designated by Order in Council under section 84(4) of the Energy Act 2004.
"Retail Price Index"	means the general index of retail prices published by the Office for National Statistics each month in respect of all items or: (a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances; or

	(b) if there is a material change in the basis of the index, such other index as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances.
"Retained EU Law"	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
"Scottish grid code"	means a grid code which a Scottish licensee is obliged to maintain pursuant to standard condition D9 (Licensee's grid code) of that Scottish licensee's transmission licence and references in standard condition D3 (Transmission system security standard and quality of service), standard condition D9 (Licensee's grid code), standard condition D10 (Supplementary grid code condition) and standard condition D13C (Functions of the Authority) to the "licensee's grid code" shall be construed accordingly.
"Scottish licensee"	means the holder of a transmission licence at the date that this condition takes effect in the licensee's transmission licence but shall not include any offshore transmission owner.
"Section B (General) Direction"	means a direction issued by the Authority in accordance with standard condition A5 (Application of Section B).

"Section D (transmission owner standard conditions) Direction"	means a direction issued by the Authority in accordance with standard condition A3 (Application of Section D).
"Section E (offshore transmission owner of last resort) Direction"	means a direction issued by the Authority in accordance with standard condition B18 or E21 (Offshore Transmission Owner of Last Resort).
"Section E (offshore transmission owner standard conditions) Direction"	means a direction issued by the Authority in accordance with standard condition A6 (Application of Section E).
"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.
"statutory accounts"	means the accounts that the licensee prepares in accordance with Part 15 of the Companies Act 2006.
"STC"	means the document required to be in place pursuant to standard condition B12 (System Operator – Transmission Owner Code) as from time to time amended in accordance with that condition.
"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 party"	means any person who is a party to the STC Framework Agreement.
"STC party's transmission system"	means those parts of the national electricity transmission system planned, owned or operated by an STC party.
"STC procedures"	for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.
"subsidiary"	means a subsidiary within the meaning of section 1159 of the Companies Act 2006.
"tender regulations"	means regulations made by the Authority in accordance with section 6C of the Act.
"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) pursuant to the STC.
"transitional tender exercise"	has the meaning given at section 6D of the Act.

“transition modification provisions”	for the purposes of standard condition B12 (System Operator – Transmission Owner Code) has the meaning given in that condition.
“transition period”	means the period commencing on the date on which this condition takes effect in the licensee’s transmission licence and ending on the BETTA go-live date.
“transmission area”	means the area specified in special condition 1B of the licensee’s transmission licence.
“transmission assets”	has the meaning given at paragraph 1(3) of Schedule 2A to the Act.
“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 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: (i) not used (ii) 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 Network Revenue”	means the revenue received by the ISOP via Transmission Network Use of System Charges as per Section 14 of the CUSC.
“Transmission network use of system charges”	has the meaning given to that term in the CUSC Section 14.14.
“transmission owner”	means the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section D (transmission owner standard conditions) Direction and where Section D remains in effect (whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).
“transmission reinforcement works”	for the purposes of section D has the meanings given in standard condition D1 (Interpretation of Section D)
“transmission services”	means those services which are provided or are to be provided to the ISOP by any transmission licensee pursuant to standard condition D2 or E15 (Obligation to provide transmission services).
“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.
"use of interconnector"	means use of any interconnector for the conveyance of electricity (whether in both directions or in only one).
"use of system"	means use of the national electricity transmission system for the transport of electricity by any authorised electricity operator.
"vertically integrated undertaking"	means an electricity undertaking or a group of electricity undertakings where the same person or the same persons are entitled, directly or indirectly, to exercise control, and where the undertaking or group of undertakings perform in the European Economic Area at least one of the functions of transmission or distribution and at least one of the functions of generation or supply of electricity. The terms within this definition shall have the meaning given to them by the Electricity Directive.
"wider works"	for the purposes of standard condition B19 has the meaning given in Condition A1 (Definitions) of the electricity system operator licence and for the purposes of

Section D has the meaning given in standard condition D1 (Interpretation of Section D)

2. Any word or expressions used in the Utilities Act 2000, Part I of the Act or the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning when used in the standard conditions.

3. Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or Schedule is a reference to the standard condition (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the standard condition or Schedule in which the reference occurs, and reference to a Section is a reference to that Section in these standard conditions.

4. These standard conditions have effect as if in relation to a licence holder who is a natural person, for the words "it", "its" and "which" there were substituted the words "he", "him", "his", and "whom", and cognate expressions are tobe construed accordingly.

5. Except where the context otherwise requires, a reference in a standard condition to a paragraph is a reference to a paragraph of that standard condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.

6. Any reference in these conditions to
    (a) a provision thereof;
    (b) a provision of the standard conditions of electricity generation licences;
    (c) a provision of the standard conditions of electricity distribution licences;
    (d) a provision of the standard conditions of electricity supply licences;
    (e) a provision of the standard conditions of electricity interconnector licences;and
    (f) a provision of the conditions of the electricity system operator licence,

will, if these standard conditions or the standard conditions in question come to be modified, be construed so far as the context permits, as a reference to the corresponding

provision of these standard conditions or the other standard conditions in question as modified.

7. In construing the standard conditions, the heading or title of any standard conditions or paragraph shall be disregarded.

8. Any reference in a standard condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence and as incorporated in each other licence under section 6(1)(b) of the Act (whenever granted) which incorporates it.

9. Where any obligation under, in or pursuant to the licence is required to be performed by a specified date or within a specified period, and where the licensee has failed so to perform by such date or within such period, such obligation will continue to be binding and enforceable after the specified date or after the expiry of the specified period (but without prejudice to all rights and remedies available against the licensee by reason of the licensee's failure to perform by that date or within that period).

10. Anything required by or under these standard conditions to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case –

    (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first class post as soon as is reasonably practicable, and
    (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a refutable presumption that what was received duly represented the original instrument.

11. The definitions referred to in this condition may include some definitions which are not used or not used exclusively in Sections A and B (which Sections are incorporated in all transmission licences). Where:

    (a) any definition is not used in Sections A and B, that definition will, for the purposes of this licence, be treated:

(i) as part of the standard condition or conditions (and the Section) in which it is used;

(ii) as not having effect in the licence until such time as the standard conditions in which the definition is used has effect within the licence in pursuance of standard condition A3 (Application of Section D) or standard condition A6 (Application of Section E);

(b) any definition which is used in Sections A and B and is also used in one or more other Sections:

(i) will only be modifiable in accordance with the modification process applicable to each of the standard conditions in which it is used; and

(ii) if any such standard condition is modified so as to omit that definition, then the reference to that definition in this condition will automatically cease to have effect.

Condition A2: Not used

Condition A3: Application of Section D

1. The standard conditions in Section D (in whole or, as the case may be, in part) shall not have effect in this licence; and the licensee shall not be obliged to comply with the requirements of Section D (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.

2. The Authority may issue a direction (a "Section D (transmission owner standard conditions) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section D (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section D (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

3. The Authority may, with the consent of the licensee:

   (a) vary the terms (as set out in the Section D (transmission owner standard conditions) Direction or elsewhere) under which Section D (or parts thereof) has effect in this licence; or

   (b) provide for Section D (or parts thereof) to cease to have effect in this licence.

4. The variation or cessation provided for in paragraph 3 shall take effect from the date specified in the variation or cessation notice given to the licensee by the Authority.

5. With effect from the date of cessation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A4: Not used

Condition A5: Application of Section B

1. The standard conditions in Section B (in whole or, as the case may be, in part) shall have effect in this licence; and the licensee shall be obliged to comply with the requirements of Section B (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.

2. The Authority may issue a direction (a "Section B (General) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section B (in whole or, as the case may be, in part) shall cease to have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of Section B (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

3. The Authority may, with the consent of the licensee:

   (a) vary the terms (as set out in the Section B (General) Direction or elsewhere) under which Section B (or parts thereof) shall have effect in this licence; or

   (b) provide for Section B (or parts thereof) to have effect in this licence.

4. The variation or cessation and reactivation provided for in paragraph 3 shall take effect from the date specified in the notice given to the licensee by the Authority for this purpose.

5. With effect from the date of cessation and reactivation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A6: Application of Section E

1. The standard conditions in Section E (in whole or, as the case may be, in part) shall not have effect in this licence; and the licensee shall not be obliged to comply with the requirements of Section E (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.

2. The Authority may issue a direction (a "Section E (offshore transmission owner standard conditions) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section E (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section E (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.

3. The Authority may, with the consent of the licensee:

   (a) vary the terms (as set out in the Section E (offshore transmission owner standard conditions) Direction or elsewhere) under which Section E (or parts thereof) have effect in this licence; or

   (b) provide for Section E (or parts thereof) to cease to have effect in this licence.

4. The variation or cessation and reactivation provided for in paragraph 3 shall take effect from the date specified in the notice given to the licensee by the Authority for this purpose.

5. With effect from the date of cessation and reactivation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A7: Offshore Transmission Implementation

[Removed]

SECTION B: GENERAL

Condition B1: Regulatory Accounts

Introduction

1. This condition applies to regulatory accounts prepared for financial years commencing on or after 1 April 2013 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 Standard Condition B6 (Restriction of 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 Standard Condition B6 (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: Terms of appointment of 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 standard conditions B5 (Prohibition of cross subsidies), C7 (Prohibition on discrimination between users), C8 (Requirement to offer terms), and D5 (Prohibition on engaging in preferential or discriminatory behaviour) 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 he 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 his 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 and definitions

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 2012 in accordance with the licence condition in force as at 31 March 2013.

24. For the purposes of this condition:

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 this condition.

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 group accounts.

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.

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

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;

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 D (transmission owner standard conditions) Direction and where Section D remains in effect whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any

	subsequent variation of its terms to which the licensee may be subject);
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.

Condition B2: Not Used

Condition B3: Disposal of relevant assets and restrictions on charges over receivables

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 2013, 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 standard condition B12 (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, or a regulation of the

Council or Commission of the European Union that has effect in EU law immediately before IP completion day .

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.

10. In this condition:

"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.
“receivable”	means a contractual right to receive any sum or sums or any other financial asset from another person.
"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).
"relinquishment of operational control"	includes, without limitation, entering into any agreement or arrangement whereby operational control of a relevant asset or relevant assets is not or ceases to be under the sole management of the licensee.

Condition B4: 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, except and so far as the Authority otherwise consents, 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. In calling for information under this condition the Authority may 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.

Condition B5: 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.

Condition B6: Restriction on Activity and Financial Ring Fencing

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transmission business.

1A. 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 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.

2. 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.

3. Subject to the provisions of paragraph 2, 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.

4. Subject to paragraph 1A, 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 3(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 3(b) of standard condition B1 (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 3(b) of standard condition B1 (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);

(i) 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

(ii) 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).

5. For the purposes of paragraph 4, "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.

6. In this condition:

"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 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; and

"system resilience" means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity."

Condition B7: 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 which is in one of the following forms:

   (a) **Certificate 1F**

   "After making enquiries, including reviewing the results of stress tests that the licensee considered to be appropriate, 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, including reviewing the results of stress tests that the licensee considered to be appropriate, 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."

3. 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 which is in one of the following forms:

(a) **Certificate 1F-Extended**

"After making enquiries, including reviewing the results of stress tests that the licensee considered to be appropriate, 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 transportation business for the longer of: (i) a period of 36 months from the date of this certificate or (ii) the remainder of the Price Control Period."

or

(b) **Certificate 2F-Extended**

"After making enquiries, including reviewing the results of stress tests that the licensee considered to be appropriate, 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 transportation business for the longer of: (i) a period of 36 months from the date of this certificate or (ii) the remainder of the Price Control Period. 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 transportation business [followed by a description of the factors concerned]."

or

(c) **Certificate 3F-Extended**

"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 transportation business for the longer of: (i) a period of 36 months from the date of this certificate or (ii) the remainder of the Price Control Period."

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

4. 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 B1 (Regulatory Accounts) on the licensee's regulatory accounts.

5. The licensee must ensure that the certificate given to the Authority under paragraph 3 is accompanied by a statement of the main factors that the licensee's directors have taken into account in giving that certificate including reference to:

(a) results of any stress tests that the licensee deemed to be appropriate;

(b) financial projections of key financial metrics;

(c) assumptions made in relation to the availability of financial markets for any financing or refinancing requirements, including assumptions around equity injections;

and

(d) credit facilities, including drawn and undrawn, and compliance with covenants.

Certificates for the Authority in relation to operational resources

6. With effect from 1 August 2013, 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

7. The licensee must ensure that the certificate given to the Authority under paragraph 6 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

8. With effect from 1 August 2013, 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 which 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 standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (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 standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (Indebtedness)."

Obligation to report any adverse circumstances

9. 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), 6(a) or 6(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 6(c) have materially worsened.

Certificates for the Authority in relation to dividends

10. Subject to paragraph 13, 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 11 and 12 below.

11. 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 standard condition B4 (Provision of information to the Authority), standard condition B6 (Restriction on Activity and Financial Ring Fencing), standard condition B7 (Availability of Resources), standard condition B8 (Undertaking from ultimate controller), standard condition B10 (Credit Rating) and standard condition B9 (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."

12. 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.

13. The licensee need not give the Authority a certificate of the type referred to in paragraph 10 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 underthe requirement set out in paragraph 8 of this condition; and

(b) that certificate includes an appropriate addendum using the wording given at paragraph 11(b) of this condition.

14. Where the certificate given under paragraph 10, or relied upon under paragraph 13, 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

15. The licensee must prepare by 1 April 2014, 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 in paragraph 17 below.

16. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan in paragraph 17 below 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.

Interpretation

17. In this condition:

"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.

18. "common control company" means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

19. "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 B3 (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.

"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.

"participating interest" has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Condition B8: 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,

      (ii) an undertaking complying with paragraph 1 is not in place in relation to that ultimate controller, or

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

(iv) 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 2013, 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.

Condition B9: Indebtedness

1. In addition to the requirements of standard condition B3 (Disposal of relevant assets and restrictions on charges over receivables), 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 B3 (Disposal of relevant assets and restrictions on charges over receivables) 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) a 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 standard condition B6 (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 enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 10, if any of the circumstances set out in paragraphs 4 to 9 applies.

4. The circumstance described by this paragraph is that the licensee does not hold an investment grade issuer credit rating.

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 held by the licensee 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 any of its affiliates, (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 B10 (Credit Rating) 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 standard condition B7 (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 standard condition B7 (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 9 of standard condition B7 (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:

(aa) relate in whole or in part to circumstances affecting an associate of the licensee; and

(bb) 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 2013, 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. The circumstance described by this paragraph is that the licensee has an Actual Regulatory Gearing ratio of 75% or higher or, based on reasonable projections, will exceed this ratio at the end of the current Regulatory Year.

10. 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 (following disclosure of all material facts) may not without the prior written consent of the Authority 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.

11. In this condition:

"Actual Regulatory Gearing" means the ratio of Net Debt to regulatory asset value, as reported at the closing of the previous Regulatory Year and calculated in accordance with the Regulatory Instructions and Guidance published by the Authority under Standard Condition B15.

"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.

"common control company" means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

"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.

"Net Debt" means the value of the licensee's net debt as reported at the closing of the previous Regulatory Year and defined by the Regulatory Instructions and Guidance published by the Authority under Standard Condition B15.

"participating interest" has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Condition B10: Credit rating of the licensee and related obligations

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.

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

2. The licensee must maintain more than one Investment Grade Issuer Credit Rating at all times.

Part B: Obligation to provide Published Rating Reports

3. Where a Negative Rating Action occurs in respect of the licensee or any of the licensee's credit ratings 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

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of 1 April 2026 or the date of a Negative Rating Action relating to the licensee (whichever is later), if:

    a) any of the licensee's ratings 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) any of the licensee's Issuer Credit Ratings or Significant Instrument Credit Ratings 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.

5. 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:

(i) operational performance; and/or

(ii) macro-economic events,

in each case as applicable;

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.

6. 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.

Condition B11: Security arrangements

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.

Condition B12: 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 2021, 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:

- the provision of transmission services,
- the operation, including the configuration, of the national electricity transmission system,
- the co-ordination of the planning of STC parties' transmission systems,
- the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),
- planning for, and co-ordination of, transmission outages,
- procedures for developing, agreeing and implementing party entry processes,
- the resolution of disputes,
- 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,

– 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

– 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;

(aa) 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:

(i) to be accepted into the STC modification procedures by the panel;

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

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

(ab) 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:

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

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

(iii) 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;

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

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

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

(iii) 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;

(iv) 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;

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

(vA) 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;

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

- the proposed modification and any alternative;
- an evaluation of the proposed modification and any alternative;
- 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));
- 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;
- 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;
- 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;
- 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;

– 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

(vii) 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;

(d) 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);

(e) 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

(f) 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)

(i) 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

(ii) 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:

(1) 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

(2) 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;

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

(bb) 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. Not used.

8. Not used.

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

10. 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.

11. 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.

12. 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).

13. For the avoidance of doubt, paragraphs 11 and 12 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.

13A. 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 2017.

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

15. 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.

16. In this condition:

"applicable STC objectives"	means the objectives set in paragraph 3.
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

(c) re-published from time to time.

"directions"	means, in the context of paragraph 6G(a), direction(s) issued following publication of significant code review conclusions which will contain: (a) a)instructions to the licensee to make (and not withdraw, without the Authority's prior consent) a modification proposal; (b) the timetable for the licensee to comply with the Authority's direction(s); and (c) the Authority's reasons for its direction(s).
"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 (iv) updating out of date references to other documents or paragraphs.
"maximum revenue"	has the meaning given in condition A1 (Definitions) of the electricity system operator licence.

"party entry processes"	means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.
"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) (a) confirming that, 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.
"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
(iii) 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 (a "backstop direction"); and

(b) ending either:

(i) on the date on which the Authority issues a statement under sub-paragraph 6G(b) 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), 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), or the Authority makes a

	modification proposal under paragraph 6G(ba); or (iii) immediately under sub-paragraph 6G(c), 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 sub-paragraph 6G(bb) or a direction has been made under paragraph 6GD, (a "backstop direction") on the date specified in accordance with paragraph 6GA
"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.
"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.

Condition B13: BETTA implementation

[Removed]

Condition B14: BETTA run-off arrangements scheme

[Removed]

Condition B15: 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 special conditions of this licence and, where not referenced in the licence, the FinalDeterminations.

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 definingSpecified Information;

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

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

(h) 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;

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

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

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

(l) 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 standard condition B4 (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.

9. The requirements of paragraph 8 of this condition may be satisfied by action taken by the Authority before, as well as by action taken after 1 April 2021.

Part B: Compliance with the provisions of the RIGs

10. The licensee must comply with the RIGs.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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

16. 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.

17. 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.

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

Part D: Derogations

19. 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.

Part E: Interpretation

20. For the purposes of this condition:

Annual Report	means a report of that name published by the Authority under this condition;

Authority's Website	means www.ofgem.gov.uk;
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.
Final Determinations	means the document of that name published on the Authority's Website in relation to the RIIO-2 price control;
RIGs	means the Regulatory Instructions and Guidance published by the Authority this condition;
Specified Information	means information (or a category of information) that is so described or required in the RIGs.

Condition B16: Electricity Network Innovation Strategy

Introduction

1. The purpose of this condition is to oblige on the licensee to work with other network licensees to develop an Electricity Network Innovation Strategy. This obligation is intended to ensure that Relevant Network Licensees take a joined up approach to innovation, which results in coordinated action on priority areas that offer significant potential benefit, shared learning and the avoidance of unnecessary duplication.

2. This condition does not prevent the licensee from undertaking Innovation Projects that are not specifically outlined within the Electricity Network Innovation Strategy.

Part A: Requirement to create and maintain an Electricity Network Innovation Strategy

3. The licensee must develop and maintain an Electricity Network Innovation Strategy and must use reasonable endeavours to cooperate with all other Relevant Network Licensees in the development of an Electricity Network Innovation Strategy.

4. The licensee must use reasonable endeavours to work with all other Relevant Network Licensees to ensure that the Electricity Network Innovation Strategy is reviewed every two years and where necessary, based on the majority view of Relevant Network Licensees, is also updated.

Part B: Electricity Network Innovation Strategy

5. The Electricity Network Innovation Strategy must:

   (a) set out the procedures for updating it (which must include the requirement to consult with Interested Parties in accordance with Part C below and the biennial review referred to in paragraph 4);

   (b) be kept up to date in accordance with the procedures referred to in paragraph 5; and

(c) be readily accessible to the public from the licensee's website.

6. The Electricity Network Innovation Strategy must include:

(a) a description of the challenges and uncertainties which the Relevant Network Licensees consider are pertinent to the electricity network over different time periods which could be addressed through innovative projects;

(b) a description of the challenges which are not currently being addressed through innovative projects or plans, including but not limited to projects or plans made by the Relevant Network Licensees and Interested Parties;

(c) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in order to address the challenges referred to in paragraph 6(a) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the strategy will help to address those challenges;

(d) a description of the innovative projects and plans the Relevant Network Licensees intend to pursue in relation to the gaps identified in paragraph 6(b) of this condition, with particular regard to how future Innovation Projects which Relevant Network Licensees will seek to initiate over the period of the Electricity Network Innovation Strategy will help to address those gaps. Consideration should be given to the suitability of the Relevant Network Licensees to carry out the innovative projects and plans. If the Relevant Network Licensees do not intend to carry out innovative projects and plans relating to a gap identified in paragraph 6(b), a reason should be provided as part of this description;

(e) a description of how Relevant Network Licensees will coordinate their activities on Innovation Projects to minimise unnecessary duplication of effort;

(f) a description of how Relevant Network Licensees will share the learning that they have gained through Innovation Projects; and

(g) any directions related to the Electricity Network Innovation Strategy issued by the Authority.

Part C: Consultation

7. The licensee must in cooperation with Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Interested Parties and with stakeholders in other sectors prior to publication, or revision, of the Electricity Network Innovation Strategy. This includes stakeholders in the following sectors:

(a) electricity;

(b) gas;

(c) heat

(d) refuse

(e) telecoms;

(f) transport; and

(g) water and wastewater.

8. The licensee and must include in the Electricity Network Innovation Strategy:

(a) a description of those Interested Parties and stakeholders referred to in paragraph 7, with whom it has consulted; and

(b) its analysis and of any representations relevant to the requirements set out in paragraph 6, received in response to the.

Part D: Interpretation

9. For the purposes of this condition:

Electricity Network Innovation Strategy	means a document, or suite of documents published by Relevant Network Licensees that complies, or that together comply, with the requirements of this condition.

Innovation Project	means a project funded by the: (c) RIIO-2 Network Innovation Allowance; (d) RIIO-3 Network Innovation Allowance; or (e) SIF.
Interested Parties	include, but are not limited to, the Engineering and Physical Sciences Research Council, the Department of Business, Energy and Industrial Strategy, Innovate UK and their successor bodies and holders of a Transmission Licence or a Distribution Licence that are not RIIO Electricity Distribution Licensees, RIIO Electricity Transmission Licensees and the ISOP.
Relevant Network Licensee	means the holder of an Electricity Transmission Licence with condition B16 in effect in its licence, or an Electricity Distribution Licence with condition 48A in effect in its licence, or the ISOP.
RIIO Electricity Distribution Licensee	means Eastern Power Networks plc, Electricity North West Ltd, London Power Networks plc, Northern Powergrid (Northeast) plc, Northern Powergrid (Yorkshire) plc, Scottish Hydro Electric Power Distirbution plc, South Eastern Power Networks plc, Southern Electricity Power Distribution plc, SP Distribution plc, SP Manweb plc, National Grid Electricity Distribution (East Midlands) plc, National Grid Electricity Distribution (South Wales) plc, National Grid Electricity Distribution (South

	West) plc and National Grid Electricity Distribution (West Midlands) plc.
RIIO Electricity Transmission Licensee	means National Grid Electricity Transmission Plc, Scottish Hydro Electric Transmission Plc, and SP Transmission Plc.
RIIO-2 Network Innovation Allowance	means the network innovation allowance established by Special Condition 5.2 (The Network Innovation Allowance) of the Transmission Licences held by the RIIO Electricity Transmission Licensees and Condition F2 (Innovation Funding) of the Electricity System Operator Licence as in force on 31 March 2026 and now governed by Special Condition 5.3 (Carry-over Network Innovation Allowance) of the Transmission Licences held by the RIIO Electricity Transmission Licensees and Condition F2 (Innovation Funding) of the Electricity System Operator Licence and Charge Restriction Condition 2H (The Network Innovation Allowance) of the Distribution Licences held by the RIIO Electricity Distribution Licensees.
RIIO-3 Network Innovation Allowance	means the network innovation allowance established by Special Condition 5.2 (RIIO-3 network innovation allowance) of Transmission Licences held by the RIIO Electricity Transmission Licensees and condition F2 (Innovation funding) of the Electricity System Operator Licence.

SIF	means strategic innovation fund established by Special Condition 9.19 (The strategic innovation fund) of the Transmission Licences held by RIIO Electricity Transmission Licensees and condition F2 (Innovation funding) of the Electricity System Operator Licence.

Condition B17: Not Used

Condition B18: Offshore Transmission Owner of Last Resort

1. The licensee shall at all times comply with any Section E (offshore transmission owner of last resort) Direction that has been given or varied by the Authority pursuant to this condition and given to the licensee.

2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, give a Section E (offshore transmission owner of last resort) Direction to provide transmission services for a period not exceeding five years where a Section E (offshore transmission owner of last resort) Direction previously given to an offshore transmission owner regarding those assets has expired or is due to expire, or:

   (a) if the Authority, following a transitional tender exercise undertaken in accordance with the tender regulations:

      (i) has not been able to determine a person to be granted an offshore transmission licence for the transmission assets to which the transitional tender exercise related; and

      (ii) has taken all reasonable steps to identify from offshore transmission owners an offshore transmission owner to operate the transmission assets; or

   (b) if the Authority intends to revoke the transmission licence of an offshore transmission owner; or

   (c) if the Authority intends to revoke a Section E (offshore transmission owner of last resort) Direction given to another transmission licensee;

   and were the Section E (offshore transmission owner of last resort) Direction not given, it would significantly increase the likelihood that the generating station that is, or is expected to be, connected to the transmission assets would be unreasonably delayed or stranded.

3. The Authority may only give a Section E (offshore transmission owner of last resort) Direction to the licensee if:

(a) it has not already given a Section E (offshore transmission owner of last resort) Direction that is in force to an offshore transmission owner in respect of the offshore transmission assets to which the proposed Section E (offshore transmission owner of last resort) Direction relates;

(b) it considers that the licensee could comply with the Section E (offshore transmission owner of last resort) Direction without materially prejudicing the licensee's ability to:

(i) continue to carry out its activities pursuant to this licence, and

(ii) fulfil its contractual obligations under any relevant Codes;

(c) it is satisfied that the licensee is able to operate the relevant transmission assets in an efficient and economic manner;

(d) it is satisfied that the licensee will be able to finance the activities which are the subject of obligations to be imposed on it by or by virtue of the Section E (offshore transmission owner of last resort) Direction;

(e) it is satisfied that the licensee will be able to recover the costs of operating the relevant transmission assets in an economic and efficient manner, including a reasonable rate of return;

(f) it has given notice to the licensee, pursuant to paragraph 5 of this condition, of its intention to give a Section E (offshore transmission owner of last resort) Direction and specified a reasonable period (not being less than 14 days from the date of publication of the notice) within which the licensee may make representations to the proposed Section E (offshore transmission owner of last resort) Direction; and

(g) it has considered any representations made by the licensee and not withdrawn.

4. Where there is more than one transmission licensee to whom a Section E (offshore transmission owner of last resort) Direction may be given, the Authority in giving a Section E (offshore transmission owner of last resort) Direction must consider in relation to each transmission licensee:

(a) the financial, operational and technical standing of the transmission licensee;

(b) any information provided to the Authority by the transmission licensee in connection with the relevant transmission assets, in particular:

(i) in relation to the costs that it expects to incur if it receives a Section E (offshore transmission owner of last resort) Direction;

(ii) its cost effectiveness relative to other transmission licensees to whom a Section E (offshore transmission owner of last resort) Direction may be given; and

(iii) in relation to relevant transmission assets to be completed, the period within which it expects to complete the assets; and

(c) any other relevant information available to the Authority, including the quality, price, technical merit, functional characteristics, environmental characteristics and location of the relevant transmission assets.

5. The Authority will give notice to the licensee of its intention to give a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2, setting out:

(a) the basis on which the Authority considers that it is reasonable to make a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2;

(b) the date on which the Authority proposes that the Section E (offshore transmission owner of last resort) Direction is to take effect;

(c) the period, subject to paragraph 10, for which the Authority proposes the Section E (offshore transmission owner of last resort) Direction shall be in effect; and

(d) the transmission assets to which the Section E (offshore transmission owner of last resort) Direction relates (including the geographical location and technical characteristics of those assets).

6. A notice under paragraph 5 above shall be given by:

(a) publishing the notice in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction; and

(b) serving a copy of the notice on the licensee.

7. A Section E (offshore transmission owner 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 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 11F of the Act.

8. Where the licensee considers that there has been a material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was given to the licensee may at any time apply in writing to the Authority for variation or revocation of the Section E (offshore transmission owner of last resort) Direction setting out a description of:

(a) the material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was made;

(b) the impact of the material prejudicial change on the licensee's ability to comply with the Section E (offshore transmission owner of last resort) Direction including the extent to which continuing to comply with the Section E (offshore transmission owner of last resort) Direction adversely affects the licensee's ability:

(i) to continue to carry out its activities pursuant to this licence; or

(ii) to fulfil its contractual obligations under any relevant Codes, and

any proposed variations to the Section E (offshore transmission owner of last resort) Direction.

9. Where the licensee has applied for variation or revocation pursuant to paragraph 8 the Authority will consider that application and:

(a) where that application is rejected by the Authority, the Authority must notify the licensee in writing of its decision not to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision;

(b) where that application is accepted by the Authority, the Authority must

(i) notify the licensee in writing of its decision to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision; and

(ii) publish a notice to that effect in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction.

10. Where the Authority has been able to determine a person, other than the person to whom the Section E (offshore transmission owner of last resort) Direction has been given, to be granted an offshore transmission licence for the transmission assets to which a Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2 relates, it must unless the licensee agrees otherwise revoke the Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2.

Condition B19: Connect and manage implementation

1. The licensee shall take such steps and do such things as are within its power and as are necessary or appropriate in order to give full and timely effect to all modifications made by the Secretary of State pursuant to sections 84 to 86 of the Energy Act 2008 to:

   (a) this licence;

   (b) the CUSC;

   (c) the STC,

   which shall be for the purpose of facilitating connect and manage connections to the national electricity transmission system or distribution system, which are dependent upon completion on the national electricity transmission system of enabling works but not on completion of wider works.

2. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition. The information to be provided under this condition shall not exceed that which may reasonably be requested from the licensee by the Authority under standard condition B4 (Provision of information to the Authority).

3. This condition shall cease to have affect at the end of the connect and manage transition period.

Condition B20: Regional Cooperation

1. [Omitted]

Condition B21: 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.

6. In this condition:

"certified" has the same meaning as in section 10O of the Act;

"control" has the same meaning as in section 10O of the Act;

"person from a country outside the United Kingdom" has the same meaning as in section 10O of the Act;

"relevant date" has the same meaning as in section 10M of the Act;

"shareholder right" has the same meaning as in section 10O of the Act.

Condition B22: 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 2014; 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.

Interpretation

12. In this condition:
"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.

"common control company" means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions and interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

"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.

"participating interest" has the meaning given in section 421A of the Financial Services and Markets Act 2000.

"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 sub-paragraph; and

(ii) intermediate holding companies between the parent company concerned and a company meeting the criteria set out in sub-paragraph (b)(i) provided that such intermediate holding companies:

(aa) have no shareholders other than the parent company concerned or another intermediate holding company; and

(bb) 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 sub-paragraph (b)(ii).

Condition B23: Data Assurance Requirements

Introduction

1. This condition sets out the processes and activities the licensee must undertake to reduce the risk, and subsequent impact and consequences, of any inaccurate or incomplete reporting, or any misreporting, of information to the Authority.

2. It outlines the process the Authority will follow in issuing and amending the Data Assurance Guidance.

Part A: Licensee's obligations

3. 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:

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

      (ii) 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;

      (iii) 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

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

4. 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.

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

6. 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

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

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

9. 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.

10. 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.

11. 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 Standard Condition B4 (Provision of information to the Authority).

12. 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

13. 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.

14. 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.

15. 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

16. 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.

Part E: Interpretation

17. For the purposes of this condition:

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; and
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.

Condition B24: 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 wheter that modification is a Housekeeping Modification.

3. In making the assessment required by paragraph 2, the Authority will have regard to all elevant 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 intended modification of the conditions of this licence is a Housekeeping Modifcation, it may modify the licence by direction to implement the intended modification. Otherwise any modification will be made under section 11A of the Act.

5. Before making a direction under paragraph 4, the Authority will publish on the Authrity's Website:

   (a) the text of the proposed direction;

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

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

6. A direction under paragraph 4 will set out:

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

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

SECTION C: NOT USED

1. To the extent not already required under this licence, and for the avoidance of doubt:

   (a) the licensee shall, as soon as reasonably practicable, publish:

      (i) the statement of the use of system charging methodology prepared under paragraph 2(a) of condition C4 (Charges for use of system); and

      (ii) a statement of use of system charges under paragraph 2(b) of condition C4 (Charges for use of system),(collectively "the UoS charging statements");

   (b) the licensee shall obtain the Authority's approval to the UoS charging statements before publication;

the licensee shall conform to the published and approved UoS charging statements.

SECTION D: TRANSMISSION OWNER STANDARD CONDITIONS

Condition D1: Interpretation of Section D.

1. In the standard conditions in this Section unless the context so requires:

"connect and manage derogation"	means a temporary derogation, by reference to the connect and manage derogation criteria, from paragraph 1 of standard condition D3 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 of the National Electricity Transmission System Security and Quality of Supply Standard (SQSS) (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply) which is necessary to enable the ISOP to make a connect and manage offer where failure to complete wider works before the connection date would otherwise render the national electricity transmission system non-compliant with such planning and operation standards (the connect and manage derogation to be applicable only until completion of the wider works in relation to which the derogation relates);
"connect and manage derogation criteria"	means the criteria defined as such in the STC;
"connect and manage derogation report"	means the report submitted by the licensee to the ISOP in respect of a connect and manage derogation;
"connect and manage offer"	means an offer from the ISOP to a connect and manage applicant for a connect and manage connection;

"connections methodologies"	means: (a) the Gate 2 Criteria Methodology; and/or (b) the Connections Network Design Methodology; and/or (c) the Project Designation Methodology, as applicable.
"connections network design methodology"	means the document issued by the ISOP and approved by the Authority in accordance with condition E16 (Connections Network Design Methodology) of the Electricity System Operator Licence.
"connections process"	means the process undertaken by the ISOP, Transmission Owners, Offshore Transmission Owners and Authorised Distributors to assess connection applications and provide offers in accordance with the CUSC, DCUSA, STC and Connections Methodologies.
"designation criteria"	means the criteria specified in the Project Designation Methodology.
"enabling works"	means the minimum transmission reinforcement works required to be completed on the national electricity transmission system to permit the connect and manage applicant access to the national electricity transmission system or distribution system, where such works are defined in the manner provided for in the STC and identified in the connect and manage offer;
"gate 1"	means the type of connection offer that has the meaning given to that term in the CUSC.
"gate 2"	means the type of connection offer of that has the meaning given to that term in the CUSC.

“gate 2 criteria”	means the criteria specified in the Gate 2 Criteria Methodology.
“gate 2 criteria methodology”	means the document issued by the ISOP and approved by the Authority in accordance with condition E15 (Gate 2 Criteria Methodology) of the Electricity System Operator Licence.
“project designation methodology”	means the document issued by the ISOP and approved by the Authority in accordance with condition E17 (Project Designation Methodology) of the Electricity System Operator licence.
“transmission reinforcement works”	means those works defined in the TO offer which are necessary to extend or reinforce the national electricity transmission system to ensure that it would comply with the requirements of standard condition D3 (Transmission System security standard and quality of service) if no connect and manage derogation were in place;
“wider works”	means the transmission reinforcement works which are not required to be completed prior to the connection date but are necessary to reinforce or extend the national electricity transmission system to make it compliant with the terms of the SQSS (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply in accordance with standard condition D3 (Transmission system security standard and quality of service)), where such works are defined in the manner provided for in the STC and identified in the connect and manage offer;

Condition D2: 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.

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.

Condition D3: Transmission system security standard and quality of service

1. Subject to any connect and manage derogation made pursuant to paragraphs 2 and 3 of this condition, 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 authorized 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. Before making a TO offer to the ISOP in accordance with standard condition D16 (Requirements of a connect and manage connection), the licensee shall

   (a) determine whether, if it were to make that TO offer, it would comply with paragraph 1 of this condition at the connection date;

   (b) if the licensee determines that making that TO offer would be inconsistent with its obligations under paragraph 1 of this condition, the licensee shall determine by reference to the connect and manage derogation criteria whether, and to what extent, a connect and manage derogation is required;

   (c) where the licensee has identified the need for a connect and manage derogation, submit a connect and manage derogation report to the ISOP as part of the TO offer in accordance with the timetable under the STC.

3. Where the licensee determines that a connect and manage derogation is required to enable it to make a TO offer in respect of a connect and manage application and the ISOP has accepted the TO offer, the licensee shall not be required to comply with the requirements of paragraph 1 of this condition to the extent of that connect and manage derogation until the wider works relevant to that connect and manage connection have been completed.

4. 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 E7.4 of condition E7 (Transmission system security standard and quality of service) of the electricity system operator licence.

5. *(Omitted)*

6. 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.

7. 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.

8. The licensee shall (subject to paragraph 9) give or send a copy of the documents (as from time to time revised) referred to in paragraph 7 to any person requesting the same.

9. The licensee may make a charge for any copy given or sent pursuant to paragraph 8 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.

Condition D4: Not used

Condition D4A: Obligations in relation to offers for connection etc

1. On notification by the ISOP of receipt on or after the BETTA go-live date of an application for a 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, 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) 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;

(f) such further terms as are or may be appropriate for the purpose of the agreement; and

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

2. 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) of the Electricity System Operator Licence by any person, or made in accordance with paragraph E12.5 of condition E12 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.

3. Subject to paragraph 5, 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 1 or 2 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.

4. 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 on or after the BETTA go-live date 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.

5. 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) in breach of its duties under section 9 of the Act;

(b) 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; or

(c) in breach of the conditions,

and 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 1 or paragraph 3) and shall give duly substantiated reasons to the ISOP for not offering to enter or not entering into any agreement as soon as practicable in accordance with the STC.

6. The Licensee shall within 33 days after the end of the following six monthly periods:

(d) 1 April until 30 September; and

(e) 1 October until 31 March

provide a non-confidential report to the ISOP in relation to all agreements it has offered to enter into with the ISOP made under paragraph 1 of this condition during that six month period setting out the factors which have influenced the date indentified in each offer made to the ISOP in accordance with paragraph 1(d) of this condition including the following;

(i) information on the timescales for connection, and how this may vary by location, type and size of connection

(ii) key issues that have an impact or have had an impact on the timetable for delivery of the connection; and

(iii) any issues likely to impact timing of connections going forward.

Condition D4B: 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 E13.3 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 E13.3(c)(ii) of condition E13 (Functions of the Authority) of the electricity system operator licencethat a TO offer (other than those TO offers (if any) notified to the Authority in accordance with paragraph E13.3 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 E13.2 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.

Condition D5: 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 standard condition D2 (Obligation to provide transmission services);

   (b) meeting its obligations under standard condition D3 (Transmission system security standard and quality of service)

   (c) in meeting its obligations under standard condition D4A (Obligations in relation to offers for connection etc);

   (d) not used; and

   (e) in meeting its obligations under standard condition B12 (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.

Condition D6: Prohibition on selling electricity

1. The purpose of this condition is to prevent abuse by the licensee of its position as owner or operator of the licensee's transmission system.
2. 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.
3. 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.

Condition D7: Not used

Condition D8: Not used

Condition D9: Not used

Condition D10: Not used

Condition D11: Not used

Condition D12: 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.

3. In this condition:

"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 special condition I (The Settlement Agreement for Scotland) 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).

Condition D13: Not used

Condition D14: Not used

Condition D15: Not used

Condition D16: 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 under 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, and in accordance with paragraph C11.3 of condition C11 (Requirements of a Connect and Manage Connection) of the Electricity System Operator Licence, the licensee shall comply with standard condition D4A (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 standard condition D4A (Obligations in relation to offers for connection 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 a connect and manage derogation is required, submit a connect and manage derogation report to the ISOP in accordance with standard condition D3 (Transmission system security standard and quality of service), as part of the TO offer.

3. The licensee shall, when notified by the ISOP under paragraph 1, use all reasonable endeavours to complete the enabling works identified as required on the licensee's transmission system in relation to a connect and manage application in a timescale which allows for connect and manage connection consistent with:

    (a) the Connections Network Design Methodology; and

    (b) (to the extent compatible with the Connections Network Design Methodology) connect and manage applicant's reasonable expectations as to connection date, as notified to the licensee by the ISOP.

For the purpose of this condition, the enabling works, assessed by the licensee and identified as required, must be consistent with the Connections Network Design Methodology.

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 and the Connections Process.

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 standard condition B4 (Provision of information to the Authority).

Condition D17: Whole Electricity System Obligations

Introduction

D17.1 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

D17.2 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.

D17.3 The licensee must consider actions proposed by transmission system users which seek to advance the efficient and economical operation of its network.

D17.4 The licensee must use all reasonable endeavours to implement actions or processes identified or proposed under paragraphs D17.2 or D17.3 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

Coordination Register

D17.5 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.

D17.6 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 D17.5 of this condition.

Part C: Whole Electricity System Guidance

D17.7 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

D17.8 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.

D17.9 The Authority will consider any representations that are duly made and not withdrawn.

D17.10 The requirements of paragraphs D17.8 and D17.9 may be satisfied by action taken before, as well as action taken after, the commencement of this condition.

D17.11 In paragraph D17.8 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 D17.8 will apply to any such revision.

Part E: Interpretation

D17.12 For the purposes of this condition:

coordination register	means a document prepared by a transmission owner in accordance with its obligations under Part A and Part B of this condition containing at a minimum the information specified in the Whole Electricity System Guidance.
electricity distributor	means any person who is authorised by a distribution licence to distribute electricity.
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.
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.
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.

Condition D18. Requirements to comply with the connections network design methodology for Use of System and connection

1. The licensee shall cooperate with the ISOP to produce and maintain the Connections Network Design Methodology. The licensee shall also comply and act consistently with the Connections Network Design Methodology.

2. The licensee shall furnish to the ISOP, in such manner and at such times as the ISOP may reasonably require, such information, and shall procure and furnish to it such reports, as the ISOP may reasonably require or as may be necessary for the purpose of allowing the ISOP to have the Connections Network Design Methodology in force at all times, in accordance with its obligations under paragraph E16.4 of condition E16 (Connections Network Design Methodology) of the Electricity System Operator Licence.

SECTION E: offshore transmission owner standard conditions

Condition E1: Interpretation of Section E: Not Used

Condition E2: Regulatory Accounts

Part A: Application and purpose

1. This condition applies for the purpose of ensuring:

   (a) the licensee prepares and publishes regulatory accounts within the meaning of paragraph 3 (b); and

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

Part B: Preparation of accounts

2. For the purposes of this condition, but without prejudice to paragraph 6, the licensee shall prepare regulatory accounts for each financial year ending on 31 March.

3. Unless the Authority otherwise consents, the licensee shall:

   (a) keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section, such accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to the consolidated transmission business are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee, including a separate balance sheet and a separate profit and loss account (or, as appropriate, an income statement) for the consolidated transmission business and any other business of the licensee; and

   (b) prepare, on a consistent basis from such accounting records in respect of each financial year, regulatory accounts (including notes thereto and statements of the accounting policies adopted) of the licensee comprising:

      (i) a profit and loss account (or, as appropriate, an income statement);

(ii) a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and if appropriate a statement of recognised income and expense);

(iii) a balance sheet;

(iv) a cash flow statement;

(v) a corporate governance statement in respect of the consolidated transmission business;

(vi) a directors' report in respect of the consolidated transmission business;

(vii) an operating and financial review in respect of the consolidated transmission business; and

(viii) a statement showing separately in respect of the consolidated transmission business and in appropriate detail the amounts of any revenue (including, where applicable, revenue from the ownership of the transmission network), cost, asset, liability, reserve or provision which has either been:

(aa) charged from any ultimate controller of the licensee, together with 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;

(bb) charged from the licensee together with any subsidiary of the licensee in relation to the provision of goods or services to any ultimate controller of the licensee together with any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries); or

(cc) determined by apportionment or allocation to the consolidated transmission business or between any other business of the licensee or affiliate or related undertaking together with a description of the basis of the apportionment or allocation;

provided that the obligations in (aa), (bb) and (cc) above shall only apply to goods and services received or supplied for the purposes of the consolidated transmission business.

4. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written approval, the licensee shall not in relation to the regulatory accounts in respect of a financial year change the bases of charge or apportionment or allocation referred to in paragraph 3(b)(viii) from those applied in respect of the previous financial year.

5. Where, in relation to the regulatory accounts in respect of a financial year, the licensee has, in accordance with paragraph 4 above, changed such bases of charge or apportionment or allocation or changed any of its accounting policies or the application of those accounting policies from those adopted for the immediately preceding financial year, the licensee shall, if directed by the Authority in writing, in addition to preparing regulatory accounts on those bases which it has adopted, also prepare such regulatory accounts on the bases and the accounting policies and the application of its accounting policies which applied in respect of that immediately preceding financial year.

6. Regulatory accounts and information in respect of a financial year prepared under paragraph 3(b) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition, have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under section 226 and 226A or, where appropriate, section 226B of the Companies Act 1985 and shall comply with all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, where appropriate, by the International Accounting Standards Board.

6A. The accounting records kept or caused to be kept by the licensee under paragraph 3(a) shall include as applicable:

(a) separate accounting records for each business of the licensee related to electricity transmission activities and electricity distribution activities;

(b) accounting records, which may be consolidated, for each business of the licensee related to electricity activities other than electricity transmission activities and electricity distribution activities; and

(c) unless otherwise approved by the Authority having regard to the purposes of this condition, consolidated accounts for each business of the licensee not related to electricity activities.

Part C: Audit and delivery of accounts

7. Unless the Authority otherwise consents, the licensee shall:

(a) procure, in relation to its regulatory accounts:

(i) an audit by an appropriate auditor of such parts of those accounts and the directors' report and operating and financial review as are specified in the Companies Act 1985 as being required to be so audited as if the licensee were a quoted company and they were the statutory accounts of the licensee prepared under sections 226 and 226A or, as appropriate, section 226B of the Companies Act 1985 drawn up to 31 March; and

(ii) a report by that auditor, addressed to the Authority, stating whether in the auditor's opinion those accounts fairly present the financial position, financial performance and cash flows of or reasonably attributable to the consolidated transmission business in accordance with the requirements of this condition; and

(b) deliver to the Authority those accounts and the auditor's reports referred to in sub-paragraph (a)(ii) and paragraph 8 as soon as is reasonably practicable, and in any event prior to their publication under Part D and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

8. The licensee shall take all appropriate steps within its power to procure, in relation to its regulatory accounts:

(a) that the audit referred to in paragraph 7(a)(i) verifies whether the obligations in respect of the prohibition of discrimination and cross-subsidies generally, and in particular, under standard conditions E6 (Prohibition of cross-subsidies) and E19 (Prohibition on engaging in preferential or discriminatory behaviour) of this licence have been respected by the licensee; and

(b) that the appropriate auditor reports separately on that matter from his report under paragraph 7(a)(ii) addressed to the Authority.

9. For the purposes of paragraphs 7 and 8, 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 regulatory accounts of the licensee must be conducted by that 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 either section 226A or 226B of the Companies Act 1985.

Part D: Publication of regulatory accounts

10. Unless the Authority otherwise directs, after consulting the licensee, the licensee shall publish its regulatory accounts with the exception of the part of such regulatory accounts which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively required under paragraph 3(b)(viii), and any other information agreed by the Authority in writing to be confidential:

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

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

(c) on a website used by the licensee in its ordinary course of business (where the regulatory accounts should be reasonably accessible to any person requiring them); and

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

11. 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 E: Interpretation

12. References in this condition to sections of the Companies Act 1985 are references to those provisions as amended, substituted or inserted by the relevant provisions of the Companies Act 1989, and if such provisions of the Companies Act 1989 are not in force at the date on which this condition takes effect, it must be construed as if such provisions were in force at such date.

13. A consent under paragraph 3 or directions under paragraphs 4 or 5 may be given in relation to some or all of the requirements of the relevant paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.

14. In this condition:

    (a) "corporate governance statement" means a statement which describes how the principles of good corporate governance have been applied to the licensee and which a quoted company is required to prepare pursuant to the Combined Code on Corporate Governance issued under the Financial Services Authority's listing rules and interpretations on corporate governance (and, for the purposes of this condition, the requirement for a quoted company to prepare such a statement is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).

    (b) "directors' report" means a report having the coverage and content of the directors' report which a quoted company is required to prepare pursuant to sections 234, 234ZZA and 234ZZB of the Companies Act 1985 (and, for the purposes of this condition, the requirement for a quoted company to prepare such a report is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).

    (c) "operating and financial review" means a review having the coverage and content of the operating and financial review which a quoted company is required to prepare pursuant to section 234AA of the Companies Act 1985 and in accordance with Schedule 7ZA thereof (and, for the purposes of this condition, the requirement for a quoted company to prepare such a review is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).

(d) “quoted company” has the meaning attributed to it by the Companies Act 1985.

Condition E3: Change of Financial Year

1. The definition of "financial year" in standard condition A1 (Definitions and Interpretation) shall, for the purpose only of the statutory accounts of the licensee, cease to apply to the licensee from the date at which the licensee sends a notice to the Authority for that purpose.

2. Such notice shall:

   (a) specify the date from which, for the purpose set out at paragraph 1, the current and subsequent financial years of the licensee shall run; and

   (b) continue in effect until revoked by the licensee issuing a further notice.

3. The licensee may, for the purpose only of its statutory accounts, change its financial year from that previously notified by sending to the Authority a new notice pursuant to paragraph 1 which specifies the licensee's new financial year-end.

4. Where the licensee sends the Authority a new notice, the previous notice shall be revoked, as provided by paragraph 2(b), and the licensee's financial year-end shall change with effect from the date specified in the new notice.

5. The provisions of this condition shall not:

   (a) apply to the financial year of the licensee as defined in standard condition A1 (Definitions and Interpretation) for the purpose of accounts or other information produced in compliance with standard condition E2 (Regulatory Accounts); or

   (b) not used.

Condition E4: Disposal of relevant assets

1. The licensee shall not dispose of or relinquish operational control over any relevant asset otherwise than in accordance with the following paragraphs of this condition.

2. Save as provided in paragraph 3, the licensee shall give to the Authority not less than two months' prior written notice of 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.

3. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any relevant asset-

   (a) where:

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

         (aa) transactions of a specified description; or

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

      (ii) 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) where the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation or where the relinquishment of operational control in question is to another transmission licensee and is required by or under standard condition E13 (System Operator – Transmission Owner Code).

4. Notwithstanding paragraph 1, the licensee may dispose of or relinquish operational control over any relevant asset as is specified in any notice given under paragraph 2 in circumstances where:

(a) the Authority confirms in writing that it consents to such disposal or relinquishment (which consent may be made subject to acceptance by the licensee or any third party in favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished to 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 or relinquishment of control within the notice period referred to in paragraph 2.

5. In this condition:

"disposal" includes

(a) in relation to disposal of a relevant asset situated in England and Wales or in the territorial sea adjacent to 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 or in the territorial sea adjacent to 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;

(c) in relation to disposal of a relevant asset situated in a Renewable Energy Zone any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition

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

"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).
"relinquishment of operational control"	includes, without limitation, entering into any agreement or arrangement whereby operational control of a relevant asset or relevant assets is not or ceases to be under the sole management of the licensee.

Condition E5: 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) the functions conferred on the Authority by or under the Act, the Energy Act 2004, the Energy Act 2008 and the Energy Act 2010;

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

   (c) any designated regulatory function conferred on the Authority by or under the Electricity Directive or Electricity Regulation,

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.

Condition E6: 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.

Condition E7: Restriction on Activity and Financial Ring Fencing

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transmission business.

1A. 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 its transmission business, for the purpose of continuity of supply and system resilience, and the electricity storage facility is not used to buy or sell electricity in the electricity markets.

2. 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.

3. Subject to the provisions of paragraph 2, 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.

4. Subject to paragraph 1A, 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 3(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 3(b) of standard condition E2 (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 3(b) of standard condition E2 (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).

5. For the purposes of paragraph 4, "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.

6. In this condition:

"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 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; and

"system resilience" means the ability of the transmission system to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity."

Condition E8: 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. Unless otherwise directed by the Authority, subject to paragraph 3, the licensee must within 7 days of the date that this condition comes into effect and then by 31 July in each subsequent calendar 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 24 months (as two distinct 12 month periods) from the date of its last published regulatory accounts."

   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 24 months (as two distinct 12 month periods) from the date of its last published regulatory accounts.

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 24 months (as two distinct 12 month periods) from the date of its last published regulatory accounts."

3. Where a certificate under paragraph 2 is to be submitted within 7 days of the date that this condition comes into effect, paragraphs 2(a), 2(b) and 2(c) have effect in relation to the licensee as if, for the reference to "from the date of its last published statutory accounts" in each of those sub-paragraphs there were substituted a reference to "from the date that condition E8 (Availability of resources) comes into effect in that licence".

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

4. Subject to paragraph 5, the licensee must ensure that any 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;

(b) a cashflow forecast;

(c) an analysis of net debt and of movement in net debt; and

(d) 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 items referred to under sub-paragraphs (a) to (c) and, on the other hand, any information that they obtained during their audit work under standard condition E2 (Regulatory Accounts) on the licensee's regulatory accounts.

5. Where a certificate under paragraph 2 is to be submitted within 7 days of the date that this condition comes into effect, the following applies:

(a) sub-paragraphs 4(c) and 4(d) shall not have effect in relation to the licensee

and

(b) the statement of main factors under sub-paragraph 4(a), in respect of a certificate provided in accordance with paragraph 2 should provide the reasons why the directors of the licensee believe they are able to make the declarations contained within the certificate without the need for an auditor's report as described in sub-paragraph 4(d). Such reasons may include references to due diligence work carried out before this licence was granted.

Certificates for the Authority in relation to operational resources

6. Subject to paragraph 7, the licensee must within 7 days of the date that this condition comes into effect and then by 31 July in each subsequent calendar 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 24 months (as two distinct 12 month periods) from the date of its last published regulatory accounts."

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 24 months (as two distinct 12 month periods) from the date of its last published regulatory accounts.

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 24 months (as two distinct 12 month periods) from the date of its last published regulatory accounts."

7. Where a certificate under paragraph 6 is to be submitted within 7 days of the date that this condition comes into effect , paragraphs 6(a), 6(b) and 6(c) have effect in relation to that licence holder as if, for the reference to "from the date of its last published statutory accounts" in each of those sub-paragraphs there were substituted a reference to "from the date that condition E8 (Availability of resources) comes into effect in that licence".

Statement of factors in relation to operational resources certificate

8. The licensee must ensure that any certificate given to the Authority under paragraph 6 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

9. The licensee must within 7 days of the date that this condition comes into effect and then by 31 July in each subsequent calendar 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 standard condition E5 (Provision of information to the Authority), standard condition E7 (Restriction on Activity and Financial Ring Fencing), standard condition E8 (Availability of Resources), standard condition E9 (Undertaking from ultimate controller), standard condition E11 (Credit Rating of Licensee and standard condition E10 (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 standard condition E5 (Provision of information to the Authority), standard condition E7 (Restriction on Activity and Financial Ring Fencing), standard condition E8 (Availability of Resources), standard condition E9 (Undertaking from ultimate controller), standard condition E11 (Credit Rating of Licensee) and standard condition E10 (Indebtedness).

Obligation to report any adverse circumstances

10. 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), 6(a) or 6(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 6(c) have materially worsened.

Certificates for the Authority in relation to dividends

11. Subject to paragraph 14, 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 12 and 13 below.

12. 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 standard condition E5 (Provision of information to the Authority), standard condition E7 (Restriction on Activity and Financial Ring Fencing), standard condition E8 (Availability of Resources), standard condition E9 (Undertaking from ultimate controller), standard condition E11 (Credit Rating of Licensee) and standard condition E10 (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."

13. 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.

14. The licensee need not give the Authority a certificate of the type referred to in paragraph 11 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 9 of this condition; and

(b) that certificate includes an appropriate addendum using the wording given at paragraph 12(b) of this condition.

15. Where the certificate given under paragraph 11, or relied upon under paragraph 14, 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

16. The licensee must prepare by 1 April 2014, 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 in paragraph 18 below.

17. The requirement for the information described in any of sub-paragraphs (a) to (k) in the definition of intervention plan in paragraph 18 below 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.

Interpretation

18. In this condition:

"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 to an affiliate or related undertaking;

(i) any contractual rights to receive cash or other financial assets from any affiliate or related undertaking of the licensee;

(j) any contractual obligations to deliver cash or other financial assets to any affiliate or related undertaking 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 regulatory reporting requirements.

Condition E9: 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 covenanter ") 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 covenanter (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 covenanter 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 2013, 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.

Condition E10: Indebtedness

1. In addition to the requirements of standard condition E4 (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) or a permitted purpose; and

      (iv) (if the transaction is within the ambit of standard condition E4 (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) a 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 standard condition E7 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms,

(c) provided however, that the provisions of paragraph 3 or, as applicable, paragraph 9 below shall prevail in any of the circumstances described or referred to therein;

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

(e) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting on the date this condition comes into effect in the licensee's transmission licence save that the licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous;

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. Where the Authority has not granted permission for the use of alternative arrangements in accordance with paragraph 2 of standard condition E11 (Credit Rating of Licensee), then except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 10, if any of the circumstances set out in paragraphs 4 to 8 applies.

4. The circumstance described by this paragraph is that the licensee does not hold an investment grade issuer credit rating or instrument credit ratings which meet the requirement set out at paragraph 1(b) of standard condition E11 (Credit Rating of Licensee).

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 relied upon by the licensee in respect of compliance with the requirement set out at paragraph 1(b) of standard condition E11 (Credit Rating of Licensee), held by the licensee 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 (in the case of issuer credit ratings only) or any of its affiliates (or such higher issuer credit rating or instrument 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 E11 (Credit Rating of Licensee) 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 paragraph 6 which at the relevant time has assigned the lower or lowest investment grade issuer credit rating or instrument 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 standard condition E8 (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 6 of standard condition E8 (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 10 of standard condition E8 (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:

(aa) relate in whole or in part to circumstances affecting an associate of the licensee; and

(bb) 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 2013, 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 paragraph 10, or the Authority has not provided a substantive response to such a written request within seven days of receiving it.

9. Where the Authority has granted permission for the use of alternative arrangements in accordance with paragraph 2 of standard condition E11 (Credit Rating of Licensee), then except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 10, if:

(a) the alternative arrangements for which the Authority has granted permission are not maintained in accordance with the conditions imposed by the Authority when giving written permission pursuant to paragraph 1 of standard condition E11 (Credit Rating of Licensee); or

(b) either of the circumstances described in paragraphs 7 and 8 applies.

10. Where, under the provisions of either paragraph 3 or paragraph 9, 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 to any associate of the licensee as described or referred to in paragraph 1(b), 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 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.

11. In this condition:

"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.

"common control company" means any company, any of whose ultimate controllers (applying the definition set out in Standard Condition A1 (Definitions for the standard

conditions) but substituting that company for the licensee) is also an ultimate controller of the licensee.

"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.

"participating interest" has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Condition E11: Credit Rating of Licensee

1. The licensee shall use all reasonable endeavours to ensure that the licensee maintains at all times:

   (a) an investment grade issuer credit rating;

   (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; or

   (c) such alternative financial arrangements to which the Authority has given its consent in writing.

2. The licensee may propose to the Authority alternative financial arrangements which may include, but are not limited to, providing a security, for example in the form of a deposit or an unconditional irrevocable letter of credit, the latter being exercisable under English law within GB drawn on a bank with a credit rating equivalent to at least "A-" with a credit rating agency recognised by Ofgem (ie Standard & Poor's, Moodys, Fitch, or DBRS) residing in a country with a credit rating of at least "A" to a value equal to twelve months gross operating expenditure. Such a proposal by the licensee shall contain sufficient information to enable the Authority to consider whether the proposed alternative financial arrangements demonstrate sufficient financial standing.

3. The Authority may consent to alternative financial arrangements proposed by the licensee under paragraph 2, subject to any conditions that the Authority considers to be appropriate.

Condition E12: Not Used

Condition E13: System Operator – Transmission Owner Code

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

2. 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 amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any amendment which has been made to the STC.

3. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for amendment 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).

4. 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.

Condition E14: Not Used

Condition E15: 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.

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.

Condition E16: 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. (*Omitted*)

4. 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.

5. 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.

6. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.

7. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 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.

Condition E17: Obligations in relation to offers for connection 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 receipt on or after the BETTA go-live date 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) 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, 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) 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;

(f) such further terms as are or may be appropriate for the purpose of the agreement; and

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

(b) 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; or

(c) in breach of the conditions,

(d) incurring costs equal to or in excess of 20 per cent of the original investment cost incurred by the offshore transmission owner in respect of the licensee's transmission system, such amount to be cumulative over the lifetime of the transmission system,

and 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.

Condition E18: 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 E13.3 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 E13.3(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 E13.3(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 E13.2 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.

Condition E19: 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 standard condition E15 (Obligation to provide transmission services);

   (b) meeting its obligations under standard condition E16 (Transmission system security standard and quality of service)

   (c) in meeting its obligations under standard condition E17 (Obligations in relation to offers for connection etc);

   (d) in meeting its obligations under standard condition E13 (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.

Condition E20: Prohibition on selling electricity

1. The purpose of this condition is to prevent abuse by the licensee of its position as owner or operator of the licensee's transmission system.

2. 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.

3. 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.

Condition E21: Offshore Transmission Owner of Last Resort

1. The licensee shall at all times comply with any Section E (offshore transmission owner of last resort) Direction that has been given or varied by the Authority pursuant to this condition and given to the licensee.

2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, give a Section E (offshore transmission owner of last resort) Direction to provide transmission services for a period not exceeding five years where a Section E (offshore transmission owner of last resort) Direction previously given to an offshore transmission owner regarding those assets has expired or is due to expire, or:

   (a) if the Authority, following a transitional tender exercise undertaken in accordance with the tender regulations has not been able to determine a person to be granted an offshore transmission licence for the transmission assets to which the transitional tender exercise related; or

   (b) if the Authority intends to revoke the transmission licence of an offshore transmission owner; or

   (c) if the Authority intends to revoke a Section E (offshore transmission owner of last resort) Direction given to another transmission licensee;

   and were the Section E (offshore transmission owner of last resort) Direction not given, it would significantly increase the likelihood that the generating station that is, or is expected to be, connected to the transmission assets would be unreasonably delayed or stranded.

3. The Authority may only give a Section E (offshore transmission owner of last resort) Direction to the licensee if:

   (a) it has not already given a Section E (offshore transmission owner of last resort) Direction that is in force to an offshore transmission owner in respect of the offshore transmission assets to which the proposed Section E (offshore transmission owner of last resort) Direction relates;

(b) it considers that the licensee could comply with the Section E (offshore transmission owner of last resort) Direction without materially prejudicing the licensee's ability to:

(i) continue to carry out its activities pursuant to this licence, and

(ii) fulfil its contractual obligations under any relevant Codes;

(c) it is satisfied that the licensee is able to operate the relevant transmission assets in an efficient and economic manner;

(d) it is satisfied that the licensee will be able to finance the activities which are the subject of obligations to be imposed on it by or by virtue of the Section E (offshore transmission owner of last resort) Direction;

(e) it is satisfied that the licensee will be able to recover the costs of operating the relevant transmission assets in an economic and efficient manner, including a reasonable rate of return;

(f) it has given notice to the licensee, pursuant to paragraph 5 of this condition, of its intention to give a Section E (offshore transmission owner of last resort) Direction and specified a reasonable period (not being less than 14 days from the date of publication of the notice) within which the licensee may make representations to the proposed Section E (offshore transmission owner of last resort) Direction; and

(g) it has considered any representations made by the licensee and not withdrawn.

4. Where there is more than one transmission licensee to whom a Section E (offshore transmission owner of last resort) Direction may be given, the Authority in giving a Section E (offshore transmission owner of last resort) Direction must consider in relation to each transmission licensee:

(a) the financial, operational and technical standing of the transmission licensee;

(b) any information provided to the Authority by the transmission licensee in connection with the relevant transmission assets, in particular:

(i) in relation to the costs that it expects to incur if it receives a Section E (offshore transmission owner of last resort) Direction;

(ii) its cost effectiveness relative to other transmission licensees to whom a Section E (offshore transmission owner of last resort) Direction may be given; and

(iii) in relation to relevant transmission assets to be completed, the period within which it expects to complete the assets; and

(c) any other relevant information available to the Authority, including the quality, price, technical merit, functional characteristics, environmental characteristics and location of the relevant transmission assets.

5. The Authority will give notice to the licensee of its intention to give a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2, setting out:

(a) the basis on which the Authority considers that it is reasonable to make a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2;

(b) the date on which the Authority proposes that the Section E (offshore transmission owner of last resort) Direction is to take effect;

(c) the period, subject to paragraph 10, for which the Authority proposes the Section E (offshore transmission owner of last resort) Direction shall be in effect; and

(d) the transmission assets to which the Section E (offshore transmission owner of last resort) Direction relates (including the geographical location and technical characteristics of those assets).

6. A notice under paragraph 5 above shall be given by:

(a) publishing the notice in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction; and

(b) serving a copy of the notice on the licensee.

7. A Section E (offshore transmission owner 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 services through the relevant transmission assets in an economic and efficient manner, and

(i) that the modifications are made by the Authority in accordance with section 11A to section 11H of the Act.

8. Where the licensee considers that there has been a material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was given to the licensee may at any time apply in writing to the Authority for variation or revocation of the Section E (offshore transmission owner of last resort) Direction setting out a description of:

(a) the material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was made;

(b) the impact of the material prejudicial change on the licensee's ability to comply with the Section E (offshore transmission owner of last resort) Direction including the extent to which continuing to comply with the Section E (offshore transmission owner of last resort) Direction adversely affects the licensee's ability:

(c) to continue to carry out its activities pursuant to this licence; or

(d) to fulfil its contractual obligations under any relevant Codes, and

(e) any proposed variations to the Section E (offshore transmission owner of last resort) Direction.

9. Where the licensee has applied for variation or revocation pursuant to paragraph 8 the Authority will consider that application and:

(a) where that application is rejected by the Authority, the Authority must notify the licensee in writing of its decision not to vary or as the case may be revoke the

Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision;

(b) where that application is accepted by the Authority, the Authority must

(i) notify the licensee in writing of its decision to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision; and

(ii) publish a notice to that effect in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction.

10. Where the Authority has been able to determine a person, other than the person to whom the Section E (offshore transmission owner of last resort) Direction has been given, to be granted an offshore transmission licence for the transmission assets to which a Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2 relates, it must unless the licensee agrees otherwise revoke the Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2.

Condition E22: General provisions on disclosure of information

1. Except to the extent otherwise provided in this or any other licence condition, or required by any other legal duty to disclose information, the licensee shall not disclose commercially sensitive information which it has obtained in the course of carrying out its activities.

2. The licensee shall not disclose information about its own activities, which may be commercially advantageous in respect of supply or generation activities, in a discriminatory manner except where this is necessary for carrying out a business transaction.

3. Paragraph 1 above shall not prohibit disclosure by the licensee to any undertaking which either holds a transmission licence or is the relevant system operator (being a transmission system operator) for an interconnected system for the purpose of the undertaking carrying out its transmission activities.

Condition E23: 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 the licensee knows or reasonably should know that 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 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, or such part of that 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 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 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 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.

6. In this condition:

"certified" has the same meaning as in section 10O of the Act

"control" has the same meaning as in section 10O of the Act

"person from a country outside the United Kingdom" has the same meaning as in section 10O of the Act

"relevant date"2 has the same meaning as in section 10M of the Act

"shareholder right" has the same meaning as in section 10O of the Act.

Condition E24: Regional Cooperation

1. [Not in use]

Condition E25: Requirements to comply with the connections network design methodology for Use of System and connection

1. The licensee shall cooperate with the ISOP to produce and maintain the Connections Network Design Methodology. The licensee shall also comply and act consistently with the Connections Network Design Methodology.

2. The licensee shall furnish to the ISOP, in such manner and at such times as the ISOP may reasonably require, such information, and shall procure and furnish to it such reports, as the ISOP may reasonably require or as may be necessary for the purpose of allowing the ISOP to have the Connections Network Design Methodology in force at all times, in accordance with its obligations under paragraph E16.4 of condition E16 (Connections Network Design Methodology) of the Electricity System Operator Licence.