Contents

Contents **1**
Section A: Definitions and interpretation **3**
Condition A1 Definitions 4
Condition A2 Interpretation 75
Condition A3 Housekeeping licence modifications 78
Section B: Business conduct and independence **79**
Condition B1 Independence Requirements and compliance obligations 80
Condition B2 Restriction on activity and financial ringfencing 88
Condition B3 Conduct of ISOP Business 89
Condition B4 Compliance with directions related to national security 91
Condition B5 Prohibition of cross-subsidies 92
Condition B6 Prohibition on discriminating between users 93
Condition B7 Information ringfencing obligations 94
Section C: Strategic and operational functions **96**
Condition C1 General principles and minimum standards 97
Condition C2 Licensee's regard to Strategy and Policy Statement 102
Condition C3 Digitalisation 103
Condition C4 Electricity System Restoration Standard 106
Condition C5 Limits on the level to which Transmission Services are provided 110
Condition C6 Licensee's obligations regarding critical national infrastructure 111
Condition C7 Energy resilience and resilience reporting 113
Condition C8 Electricity Market Reform (EMR) arrangements 117
Condition C9 Design, procurement and use of Balancing Services 118
Condition C10 Network Access Policy (NAP) 124
Condition C11 Requirements of a Connect and Manage Connection 125
Condition C12 Production of information about the National Electricity Transmission System 127
Condition C13 The Network Options Assessment (NOA) process and reporting requirements 130
Condition C14 Electricity Network Innovation Strategy 136
Condition C15 Future Energy Pathways 138
Condition C16 Strategic Spatial Energy Plan 143
Condition C17 Centralised Strategic Network Plan 145
Condition C20 Market Facilitator 149
Section D: Provision of advice and information **151**
Condition D1 Provision of ISOP Advice 152
Condition D2 Information requests by the licensee 153
Condition D3 Provision of information to the Authority 155
Condition D4 Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner 156
Section E: Industry Codes and charging **160**

Condition E1 Balancing and Settlement Code (BSC) 161
Condition E2 Connection and Use of System Code (CUSC) 176
Condition E3 Grid Code 190
Condition E4 System Operator – Transmission Owner Code 202
Condition E5 Compliance with Distribution Codes 216
Condition E6 Security arrangements 217
Condition E7 Transmission system security standard and quality of service 218
Condition E8 SO:TO Optimisation Governance 223
Condition E9 Duty to cooperate 225
Condition E10 Use of System charging and methodology 227
Condition E11 Connection Charging Methodology 230
Condition E12 Requirement to offer terms 233
Condition E13 Functions of the Authority 239
Condition E14 Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations 243
Condition E15 : Gate 2 Criteria Methodology 247
Condition E16 : Connections Network Design Methodology 250
Condition E17 : Project Designation Methodology 254
Section F: Finance and funding arrangements 258
Condition F1 Expenditure and allowed revenue 259
Condition F2 Innovation funding 267
Condition F3 Recovery of transmission network revenues 272
Condition F4 Assets and resources 276
Condition F5 Financial model and handbook 280
Condition F6 Payments by licensee to the Authority 282
Condition F7 Requirements on staff remuneration and expenses 284
Condition F8 Assistance for Areas with High Distribution Costs Scheme (AAHDCS) 287
Condition F9 Disapplication and suspension of Relevant Licence Conditions 293
Condition F10 ISOP implementation funding 296
Section G: Regulatory reports and assessment 297
Condition G1 Business Aims and Business Plan 298
Condition G2 Performance reports and assessment 301

Section A: Definitions and interpretation

Condition A1 Definitions

Introduction

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

Part A: Definitions

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

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

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

~~(a)~~ another condition of this licence;

~~(b)~~ a condition of another licence;

~~(c)~~ the STC;

~~(d)~~ the Grid Code;

~~(e)~~ the CUSC;

~~(f)~~ the BSC;

~~(g)~~ the Uniform Network Code;

~~(h)~~ the Fuel Security Code;

~~(i)~~ a document issued and amended by the Authority by direction in accordance with this licence (any reference to such a document is to that document as amended from time to time unless otherwise specified); or

~~(j)~~ an Act of Parliament,

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

A

AAHDCS Activity	**means the activity undertaken by the licensee or any ISOP Affiliate or ISOP Related Undertaking as part of the ISOP Business relating to the implementation, administration and ongoing maintenance of the AAHDCS established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.**
AAHDCS Tariff	means the tariff calculated in accordance with Part B, paragraph F8.9 of condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)).
Active Power	has the meaning given to that term in the Grid Code.
Administration Allowance	means the amount of the licensee's revenue allowance for administering the AAHDCS with the value specified in or calculated in accordance with Part A, condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)).
Adverse Effects	means any impact on the continued stability of operation of the National Electricity Transmission System including, but not limited to, any effect on the frequency or voltage of the electricity transmitted on all or any part of the National Electricity Transmission System.
Advice Process Document	means a document of that name issued to the licensee by the Secretary of State to provide for guidance and terms for the licensee to provide ISOP Advice in accordance with section 171 of the Energy Act 2023.
Affiliate	means any Holding Company of a person, any Subsidiary of that person, or any Subsidiary of a Holding Company of that person.
Affiliate of the BSCCo	means any Holding Company or Subsidiary of the BSCCo or any Subsidiary of a Holding Company of the BSCCo.

Agency	means the European Union Agency for the Cooperation of Energy Regulators established by Regulation (EC) No 713/2009 as it had effect immediately before IP Completion Day.
Allowed Security Costs	has the meaning given to that term in the Fuel Security Code.
Ancillary Services	means: ~~(a)~~ such services as any Authorised Electricity Operator may be required to have available as ancillary services pursuant to the Grid Code; and ~~(b)~~ such services as any Authorised Electricity Operator or person making Electricity Interconnector transfers may have agreed to have available as being ancillary services pursuant to any agreement made with the Electricity System Operator and which may be offered for purchase by the Electricity System Operator for the purpose of securing stability of operation of the National Electricity Transmission System and the Distribution System of any Authorised Electricity Operator or any system linked to the National Electricity Transmission System by an Electricity Interconnector.
Annual Average Cold Spell Conditions	has the meaning given to the term in the Grid Code.
Annual Performance Assessment	means the annual assessment of the licensee's performance carried out by the Authority pursuant to the arrangements established in condition G2 (Performance Reports and Assessment) and the NESO Performance Arrangements Governance Document.

Applicable Balancing Services	means those services that the Authority has directed the licensee to treat as Applicable Balancing Services.
Applicable Balancing Services Volume Data	means the amount of energy deemed by virtue of the Applicable Balancing Services Volume Data Methodology to have been produced or consumed as a result of delivering Applicable Balancing Services.
Applicable Balancing Services Volume Data Methodology	means a methodology to be used by the licensee to determine what volumes of Applicable Balancing Services are to be taken into account under the BSC for the purposes of determining in whole or in part the Applicable Balancing Services Volume Data in any period, which methodology shall cover each of the Applicable Balancing Services which the licensee buys, sells or acquires at the time at which the methodology is established.
~~Applicable BSC Objectives~~	~~means the objectives set out in condition E1 (Balancing and Settlement Code) paragraph E1.13.~~
Applicable Connection Charging Objectives	means the Use of System Charging Objectives, as if references therein to the Use of System Charging Methodology were to the Connection Charging Methodology and in addition, the objective (where consistent with the other objectives) of facilitating competition in the carrying out of works for connection to the National Electricity Transmission System.
Applicable CUSC Objectives	means the objectives set out in condition E2 (Connection and Use of System Code (CUSC)) paragraph E2.4.
Applicable Executive Committee Members	means the licensee's chief executive officer, chief operating officer, and chief financial officer (or any equivalent positions).
Applicable Grid Code Objectives	means the objectives set out in condition E3 (Grid Code) paragraph E3.2(b).
Applicable Senior Staff	means employees of the licensee which: (a) hold senior leadership positions and are members of executive committees (or equivalent decision-making groups) which oversee the operation of the ISOP Business; and

	(b) have relevant leadership responsibilities or accountabilities with respect to the delivery of value for money in the licensee's expenditure or the achievement of the performance outcomes assessed as part of the Annual Performance Assessment. This includes but is not limited to the licensee's chief executive operator; chief operating officer; chief financial officer; members of any executive committees established to oversee the delivery of the licensee's Business Plan commitments; and any persons that the Authority confirms meets criteria (a) and (b) above.
Applicable SQSS objectives	means the objectives set out in condition E7 (Transmission system security standard and quality of service), paragraph E7.4.
Applicable STC Objectives	means the objectives set out in condition E4 (System Operator - Transmission Owner Code) paragraph E4.5.
Application Regulations	means regulations in force at the time of application made pursuant to section 6A of the Electricity Act 1989.
Application Window	means the time period during which a person subject to the Gate 2 Criteria may submit an application under Condition E12 (Requirement to Offer Terms).
Asset Disposal	means the disposal of a Relevant Asset, whereby: ~~(a)~~ in relation to a Relevant Asset situated in England and Wales, disposal means any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition; ~~(b)~~ in relation to a Relevant Asset situated in Scotland, disposal means the grant of any disposition, conveyance, contract of excambion, any

	lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of 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.
Assimilated Law	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
Assistance Amount	means the amount payable by the licensee to a Relevant Distributor in relation to any Relevant Year made in accordance with Part C, paragraph F8.18 of condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)) and with the value specified in or calculated in accordance with paragraph F8.3 of condition F8.
Assistance for Areas with High Distribution Costs Scheme (AAHDCS)	means the scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
Associated TO Agreement	means an agreement between the licensee and another STC Party which is entered into following the licensee's acceptance of a TO Offer from that other STC Party and reflects that TO Offer.

Associated TO Offer	means a TO Offer which relates either (1) to an offer made by the licensee pursuant to condition E12 (Requirement to offer terms) or condition C11 (Requirements of a Connect and Manage Connection) (as appropriate) or (2) to another TO Offer which relates to an offer made by the licensee pursuant to condition E12 (Requirement to offer terms) or condition C11 (Requirements of a Connect and Manage Connection) (as appropriate).
Authorised Distributor	has the same meaning as in Part 1 of the Electricity Act 1989.
Authorised Electricity Operator	means any person (other than the licensee in its capacity as operator of the National Electricity Transmission System) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an Electricity Interconnector and for the purposes of condition B6 (Prohibition on discriminating between users), condition E12 (Requirement to offer terms), and condition E13 (Functions of the Authority) shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the National Electricity Transmission System across any Electricity Interconnector (or who has made an application for use of an Electricity Interconnector which has not been refused).
Authorised Supplier	has the same meaning as in Part 1 of the Electricity Act 1989.
Authority	means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000.
Authority's Website	means www.ofgem.gov.uk

B

Backstop Direction	means the direction given by the Authority which requires proposal(s) for modification of the relevant Industry Code and any alternatives to be withdrawn and which causes the Relevant Code Significant Code Review Phase to recommence in accordance with: ~~(a)~~ for the purposes of condition E2 (Connection and Use of System Code (CUSC)) only, paragraph E2.21; ~~(b)~~ for the purposes of condition E3 (Grid Code) only, paragraph E3.19; and ~~(c) for the purposes of condition E1 (Balancing and Settlement Code) only, paragraph E1.30; and~~ ~~(d)~~ for the purposes of condition E4 (System Operator - Transmission Owner Code) only, paragraph E4.19.
Bad Debt	means the expense incurred by the licensee when Transmission Network Charges related charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
Balancing and Settlement Arrangements	means the arrangements as set out in ~~paragraph E1.12 of condition E1 (Balancing and Settlement Code (BSC)) special condition~~ paragraph B1.1 of special condition 1 (Balancing and Settlement Code (BSC)) of the code manager licence granted in respect of the BSC.
Balancing and Settlement Code (BSC)	means the Balancing and Settlement Code ~~provided for in special condition B1.1 of the code manager licence granted to Elexon Ltd in respect of the BSC. paragraph E1.3 of condition E1 (Balancing and Settlement Code (BSC)),~~ as designated by the Secretary of State under section 182(1)(b)

	of the Energy Act 2023; ~~from time to time modified in accordance with that condition.~~
Balancing Mechanism	means the mechanism for the making and acceptance of offers and bids pursuant to the arrangements contained in the BSC and referred to in ~~paragraph E1.12(a) of condition E1 (Balancing and Settlement Code (BSC)).~~paragraph B1.1(a) of special condition 1 (Balancing and Settlement Code (BSC)) of the code manager licence in respect of the BSC.
Balancing Principles Statement	means a statement prepared and published by the licensee in accordance with Part E of condition C9 (Design, procurement and use of Balancing Services).
Balancing Services	means: ~~(a)~~ Ancillary Services; ~~(b)~~ offers and bids made in the Balancing Mechanism; ~~(c)~~ Restoration Services; and ~~(d)~~ other services available to the licensee which serve to assist the licensee in co-ordinating and directing the flow of electricity onto and over the National Electricity Transmission System in accordance with its statutory duties or the conditions of this licence, but shall not include anything provided by a Transmission Licensee pursuant to the STC.

Balancing Services Adjustment Data Methodology	means a methodology to be used by the licensee to determine what costs and volumes of Relevant Balancing Services are to be taken into account under the BSC for the purposes of determining in whole or in part the Imbalance Price in any period, which methodology must cover each of the kinds of Balancing Services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.
Balancing Services Annual Report	means a report of that name published by the licensee under paragraph C9.18 of condition C9 (Procurement and use of Balancing Services).
Balancing Services Charges	means charges levied by the licensee in respect of all Electricity Licence Expenditure incurred as part of the ISOP Business.
Base Interest Rate	means, in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding Business Day.
Bilateral Agreement	means a Bilateral Connection Agreement and/or a Bilateral Embedded Generation Agreement.
Bilateral Connection Agreement	means an agreement between the licensee and a CUSC User supplemental to the CUSC relating to a direct connection to the National Electricity Transmission System identifying the relevant connection site and setting out other site-specific details in relation to that connection to the National Electricity Transmission System, including provisions relating to payment of Connection Charges.

Bilateral Embedded Generation Agreement	means an agreement entered into between the licensee and a CUSC User supplemental to the CUSC, relating to a generating station (or other connections provided for in the CUSC) connected to a Distribution System and the use of the National Electricity Transmission System in relation to that generating station (or other connections provided for in the CUSC) identifying the relevant site of connection to the Distribution System and setting out other site specific details in relation to that use of the National Electricity Transmission System.
Board	means the licensee's board of directors.
BSC Code ~~Administrator~~Manager	~~a secretarial or administrative person or body, as specified in the BSC,~~ the holder of a code manager licence in respect of the BSC ~~to perform the role of code administrator~~.
BSC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended with the consent of the Secretary of State.
~~BSC Panel~~	~~a panel body for the BSC, whose functions must include the matters required by condition E1(Balancing and Settlement Code (BSC)) and as set out in the BSC.~~
BSC Party	means any Authorised Electricity Operator which is a party, and (unless the context otherwise requires) any other person which is a party, to the BSC Framework Agreement, other than the licensee and ~~any person which is such a party for the purposes only of administering and/or facilitating the implementation of the~~the holder of a code manager licence in respect of the BSC.

~~BSC Significant Code Review Phase~~	~~means the period:~~ ~~(e) 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 Backstop Direction; and~~ ~~(f) ending either:~~ ~~(i) on the date on which the Authority issues a statement under paragraph E1.26(b) (that no directions will be issued in relation to the BSC); or~~ ~~(ii) if no statement is made under paragraph E1.26(b) or (d), on the date on which the licensee has made a modification proposal in accordance with paragraphs E1.17(b), E1.18(b), and E1.26(a) or the Authority makes a modification proposal under paragraph E1.26(c); or~~ ~~(iii) immediately under paragraph E1.26(c), if neither a statement, a modification proposal or directions are made by the Authority up to and including 28 days from the Authority's publication of its Significant Code Review conclusions; or~~ ~~(iv) if a statement has been made under paragraph E1.26(d) or a Backstop Direction issued, on the date specified in accordance with~~

	~~paragraph E1.27 of condition E1 (Balancing and Settlement Code (BSC).~~
BSCCo	means Elexon Ltd where Elexon fulfils the role of Balancing and Settlement Code Company.
Business Day	means any weekday other than a Saturday on which the banks are open for domestic business in the City of London.
Business Plan	means a plan established and published under Part A of condition G1 (Business Plan).

C

Capacity Market (CM)	**means the scheme established by the Electricity Capacity Regulations 2014 (as amended) and the Capacity Market Rules (as amended) to which the licensee is the nominated delivery body.**
Carry-over Network Innovation Allowance (CNIA)	means the allowance provided by Part A of condition F2 (Innovation Funding) to extend the RIIO-2 NIA for an additional Regulatory Year, and the first half of the following Regulatory Year.
Centralised Strategic Network Plan (CSNP)	means the coordinated strategic plan for long-term development of the electricity and gas transmission systems, including hydrogen and other energy vectors over a 25-year period that identifies the need for delivery of immediate and future infrastructure projects across Great Britain as well as identifying solutions for long and short-term system operability issues.
Charge Restriction Condition	means any condition (including, without limitation, any revenue restriction condition) of this licence which places a monetary limitation on the revenue which may be recovered by the licensee during a given period.

Charging Methodologies	means: ~~(a)~~ the Use of System Charging Methodology established in accordance with condition E10 (Use of System charging and methodology); and/or ~~(b)~~ the Connection Charging Methodology established in accordance with condition E11 (Connection Charging Methodology), as applicable.
Charging Methodology Forum	means the forum (and related arrangements) established in the manner specified in the CUSC to facilitate meetings between the licensee and any other persons whose interests are materially affected by the applicable Charging Methodologies for the purpose of discussing the further development of the applicable Charging Methodologies, as shall be specified in the CUSC.
Citizens Advice	means the National Association of Citizens Advice Bureaux.
Citizens Advice Scotland	means the Scottish Association of Citizens Advice Bureaux.
Code of Practice	means the Code Administration Code of Practice approved by the Authority and: ~~(c)~~ developed and maintained by the Relevant Code Administrators from time to time; ~~(a)~~ amended subject to the Authority's approval from time to time; and ~~(b)~~ re-published from time to time.
Codes Materially Affected Party	any person or class of persons designated by the Authority for this purpose.
Commercial Operational Services	means a service provided to the licensee by Transmission Owners or any successor company to each with the purpose of lowering the overall costs associated with the procurement and use of Balancing Services by the licensee above these

	parties obligations under the licence or the STC.
Commission	means the form of the direction issued by the Secretary of State for the licensee to develop the SSEP, that sets out the scope, timing, inputs, outputs, interaction with wider strategic plans, and governance of the SSEP.
Commissioned	has the meaning given to it in section 11 of the CUSC.
Completion Notice	means a notice given by the licensee to the Authority in relation to an Offshore Transmission System stating that it would be possible to carry on an activity to which section 4(1)(b) of the Electricity Act 1989 applies by making available for use that system.
Compliance Officer	means a competent person with the skills and knowledge appointed to facilitate the licensee's compliance with the Independence Requirements and obligations under condition B1 (Independence Requirements and compliance obligations).
Compliance Report	means a report produced in accordance with Part F of condition B1 (Independence Requirements and compliance obligations).
Connect and Manage Applicant	means a person seeking a Connect and Manage Connection to the National Electricity Transmission System or Distribution System by submitting a Connect and Manage Application to the licensee.
Connect and Manage Application	means an application from a Connect and Manage Applicant for connection to the National Electricity Transmission System or Distribution System or for modification to an existing connection to the National Electricity Transmission System or Distribution System after the Connect and Manage Implementation Date.

Connect and Manage Connection	means the connection or modification of an existing connection to the National Electricity Transmission System or Distribution System of a Connect and Manage Applicant, that is dependent upon completion of Enabling Works but not on completion of Wider Works on the National Electricity Transmission System.
Connect and Manage Derogation	means a temporary derogation, by reference to the Connect and Manage Derogation Criteria, from paragraph E7.2 of condition E7 (Transmission system security standard and quality of service) in respect of Chapter 2 and/or Chapter 4 of the National Electricity Transmission System security and quality of supply standard (or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply) which is necessary to make a Connect and Manage Offer where failure to complete Wider Works before the Connection Date would otherwise render the National Electricity Transmission System non-compliant with such planning and operation standards (the Connect and Manage Derogation to be applicable only until completion of the Wider Works in relation to which the derogation relates).
Connect and Manage Derogation Criteria	means the criteria defined as such in the CUSC.
Connect and Manage Derogation Report	means the report prepared by the licensee in respect of a Connect and Manage Derogation.
Connect and Manage Implementation Date	means the date which the Secretary of State determines to be the Connect and Manage Implementation Date.
Connect and Manage Offer	means an offer from the licensee to a Connect and Manage Applicant for a Connect and Manage Connection pursuant to condition C11 (Requirements of a Connect and Manage Connection).

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

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

Consumer Scotland	means the body corporate established by the Consumer Scotland Act 2020, or any successor body.
Contracts for Difference (CfD)	means a contract for difference under Chapter 2 of Part 2 of the Energy Act 2013 (as amended) to which the licensee is the nominated delivery body.
Core Industry Documents	means the documents which: ~~(a)~~ in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and Authorised Electricity Operators, the subject matter of which relates to or is connected with the BSC or the Balancing and Settlement Arrangements; and ~~(b)~~ have been so designated by the Secretary of State.
Correction Amount	means the amount for reconciliation of payments in respect of the AAHDCS with the value as specified in or calculated in accordance with Part A, paragraph F8.6 (Assistance for Areas with High Distribution Costs Scheme).
Cost Efficiency Notice	means a notice issued by the Authority to the licensee under Part A of condition F1 (Expenditure and allowed revenue).
Cost Efficiency Plan	means a written submission to the Authority as required in Part A of condition F1 (Expenditure and allowed revenue).
Criteria Regulations	means the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024.
CSNP Coordination Governance Document	means a document developed and published by the Authority in accordance with Part G of condition C17 (Centralised Strategic Network Plan).
CSNP Guidance	means the document detailing the requirements for the licensee in its development of the CSNP in accordance with condition C17 (Centralised Strategic Network Plan).

CSNP Methodology	means the methodology describing how the licensee will develop the Centralised Strategic Network Plan, approved by the Authority, in accordance with condition C17 (Centralised Strategic Network Plan).
CUSC Code Administrator	A secretarial or administrative person or body, as specified in the CUSC, to perform the role of code administrator.
CUSC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the CUSC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.
CUSC Panel	a panel body for the CUSC, whose functions must include the matters required by condition E2 (Connection and Use of System Code (CUSC)) and as set out in the CUSC.
CUSC Party	means a party or parties to the CUSC Framework Agreement.
CUSC Significant Code Review Phase	means the period: ~~(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 Backstop Direction; and ~~(b)~~ ending either: (i) on the date on which the Authority issues a statement under paragraph E2.17(b) (that no directions will be issued in relation to the CUSC); or (ii) if no statement is made under paragraph E2.17(b) or E2.17(d), on the date on which the licensee has made a modification proposal in accordance with paragraphs E2.10(b),

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

D

Data Best Practice	**means a set of principles referenced to in the Data Best Practice Guidance document.**
Data Best Practice Guidance	means the guidance document issued by the Authority in accordance with Part D of condition C3 (Digitalisation).
Day 2 CTA Contract	means a contractual agreement between the licensee and National Grid Plc or its Affiliates or Related Undertakings in respect of costs incurred by National Grid Plc or its Affiliates or Related Undertakings for the delivery of FSO Transition Activities carried on or after FSO Day 1, and which has met the requirements set out in any direction issued by the Authority under condition F10.5.

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

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

Distribution Network	LDZ
East of England	East Midlands, Eastern

	<table><tr><td>London</td><td>North Thames</td></tr><tr><td>North West</td><td>North West</td></tr><tr><td>West Midlands</td><td>West Midlands</td></tr><tr><td>Northern</td><td>Northern, North East</td></tr><tr><td>Scotland</td><td>Scotland</td></tr><tr><td>Southern</td><td>South East, Southern</td></tr><tr><td>Wales and West</td><td>Wales North, Wales South, South West</td></tr></table>
Distribution System	means the system consisting (wholly or mainly) of electric lines owned or operated by an Authorised Distributor and used for the distribution of electricity from Grid Supply Points or Generation Sets or other entry points to the points of delivery to customers or Authorised Electricity Operators or any Transmission Licensee or the ISOP in its capacity as operator of the relevant licensee's Transmission System or the National Electricity Transmission System and includes any electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but must not include any part of the National Electricity Transmission System.
Distribution System Operator	means a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the Distribution System in a given area and, where applicable, its interconnections with other systems and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of electricity.
DN Operator	means a person who holds a licence granted or treated as granted under section 7 of the Gas Act 1986 in relation to one or more Distribution Networks who is obliged to comply with one or more

	conditions in standard special conditions Part D of the Transporter Licence.
DSAP Guidance	means the guidance document issued by the Authority in accordance with Part C of condition C3 (Digitalisation).

E

Early-Model Tender Exercise	**means a tender exercise which relates to a project before the completion of preliminary works, as defined in the Electricity (Criteria for Relevant Electricity Projects) (Transmission) Regulations 2024.**
Electricity Balancing Regulation	means Commission Regulation (EU) No 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing as it had effect immediately before IP Completion Day as read with the modifications set out in both SI 2019/532- The Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 and SI 2024/706 - Energy Act 2023 (Consequential Amendments) Regulations 2024.
Electricity Capacity Report	means the report prepared by the licensee and defined in Regulation 7 of the Electricity Capacity Regulations 2014.
Electricity Directive	means Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC as it has effect immediately before IP Completion Day as read with the modifications set out in the Electricity Act 1989.
Electricity Generator	means any person who holds a Generation Licence granted under section 6(1)(a) of the Electricity Act 1989.
Electricity Interconnector	has the meaning given to 'electricity interconnector' in section 4(3E) of the Electricity Act 1989.

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

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

Emergency Processes Assessment	means a report of that name prepared under Part D of condition C7 (Energy resilience and resilience reporting).
EMI Modification Proposal	means a modification proposal reflecting the terms set out in Schedule 1 and Schedule 2 to The Energy Market Investigation (Electricity Transmission Losses) Order 2016.
EMR Legislation	means Part 2 of the Energy Act 2013 and any secondary legislation or other rules in force pursuant to that Part.
Enabling Works	means the minimum Transmission Reinforcement Works required to be completed on the National Electricity Transmission System to permit the Connect and Manage Applicant access to the National Electricity Transmission System or Distribution System, where such works are defined in the manner provided for in the CUSC and identified in the Construction Agreement.
Energy Resilience Assessment Report	means a report of that name prepared under Part C of condition C7 (Energy resilience and resilience reporting).
Energy System Data	has the meaning given to that term in the Data Best Practice Guidance.
ESO Allowed Revenue	means the total revenue recoverable by the licensee through Balancing Services Charges as is derived in Part C of condition F1.
ETYS Interested Parties	includes Authorised Electricity Operators, potential Offshore Transmission Owners, the Crown Estate, Government bodies and institutions with an interest in the development of the National Electricity Transmission System.
Existing Offshore Generator	means an Electricity Generator with a generating station located in Offshore Waters that has a Relevant Offshore Agreement for connection via lines of 132kV or above that are wholly or partly in Offshore Waters.
Expenses Policy	means the expenses policy described in condition F7 (Remuneration Policy and Expenses Policy).

External Expenditure	Means the net expenditure incurred by the licensee in relation to the procurement of Balancing Services, agreements to support the stability of a User System, and payments for Outage Changes and Commercial Operational Services, and which is recoverable through the term EXTEt in Part E of condition F1 (Expenditure and allowed revenue).

F

Fast Track Self-Governance Criteria	**means that a proposal, if implemented:** **~~(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 relevant Industry Code;** **(ii) correcting minor typographical errors;** **(iii) correcting formatting and consistency errors, such as paragraph numbering; or** **(iv) updating out of date references to other documents or paragraphs.**
Financial Conduct Authority	means the financial conduct authority established under Part 1A of the Financial Services and Markets Act 2000.
Financial Year	means a period of 12 months beginning on 1st April of each year and ending on 31st March of the following calendar year.
Flexibility Market Asset Registration	means common digital infrastructure enabling the collection, storage and access of asset registration data for local and national flexibility markets, covering technical asset data and flexibility service data.

Flexibility Market Rules	means the set of rules of that name (inclusive of rules in respect of Flexibility Market Asset Registration) owned by the Market Facilitator and developed in collaboration with the licensee.
FSO Day 1	means the date on which the first designation of the Independent System Operator and Planner (ISOP) had effect under the Energy Act 2023 which was 1 October 2024.
FSO Day 1 Agreements	means the Day 2 CTA Contract, Leases, the Operational Services Agreement and the Transitional Services Agreement.
FSO Transition Activities	means activities carried out by the licensee and/or National Grid Holdings One plc (together with other companies in National Grid plc's group) to: ~~(a)~~ separate the licensee's business from National Grid Holdings One plc and other companies in National Grid plc's group; ~~(b)~~ transform the licensee so it has the capabilities, systems and processes needed to perform the roles and responsibilities of the ISOP (including with respect to gas); and ~~(c)~~ support the development of the governance and regulatory arrangements for the ISOP.
Fuel Security Code	means the document of that title designated as such by the Secretary of State as from time to time amended.
Fuel Trading Business	means: ~~(a)~~ activities connected with the acquisition and Disposal of gas or electricity in Great Britain; ~~(b)~~ activities connected with the storage of gas at an offshore storage installation or storage cavities in natural strata; or ~~(c)~~ activities connected with arranging with a Gas Transporter for gas to be

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

G

Gas Interconnector	**has the meaning given to 'gas interconnector' in section 5 of the Gas Act 1986.**
Gas Licence Expenditure	means expenditure the licensee has allocated for recovery through the term set out in condition F1 (Gas revenue calculations and notification process) of the Gas System Planner Licence which: ~~(a)~~ is allocated in accordance with the Total Cost Allocation Methodology; ~~(b)~~ is an amount which is reflective of the expenditure incurred by the licensee in undertaking the functions of the Gas System Planner Licence;

	~~(c)~~ excludes any interest, other financing and corporation tax costs; and ~~(d)~~ excludes any costs that the licensee has been allowed under Part C of condition F1 (Expenditure and allowed revenue) of this licence.
Gas Shipper	has the meaning given to this term in section 7A(11) of the Gas Act 1986.
Gas System Planner Licence	means a licence granted or treated as granted under section 7AA of the Gas Act 1986.
Gas Transporter	has the meaning given to this term in section 7(1) of the Gas Act 1986.
Gate 1	means the type of connection offer that has the meaning given to that term in the CUSC .
Gate 2	means the type of connection offer that has the meaning given to that term in the CUSC.
Gate 2 Criteria	means the criteria specified in the Gate 2 Criteria Methodology.
Gate 2 Criteria Methodology	means the document issued by the ISOP and approved by the Authority in accordance with Condition E16 (Connections Network Design Methodology) of the Electricity System Operator Licence.
Generation Licence	means a licence granted or treated as granted under section 6(1)(a) of the Electricity Act 1989.
Generation Set	means any plant or apparatus for the production of electricity and shall where appropriate include a generation station comprising more than one generating set.
Great Britain	means the landmass of England and Wales and Scotland, including internal waters.

Grid Code	means the Grid Code required to be drawn up by the licensee pursuant to condition E3 (Grid Code), as from time to time modified in accordance with that condition.
Grid Code Administrator	A secretarial or administrative person or body, as specified in the Grid Code, to perform the role of code administrator.
Grid Code Panel	a panel body for the Grid Code, whose functions must include the matters required by condition E3 (Grid Code) and as set out in the Grid Code.
Grid Code Party	means any person who is party to the Grid Code.
Grid Code Significant Code Review Phase	means the period: ~~(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 Backstop Direction; and ~~(b)~~ ending either: (i) on the date on which the Authority issues a statement that no directions will be issued in relation to the Grid Code; or (ii) if no statement is made under paragraph E3.15(b) or (d), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority, or the Authority makes a modification proposal under paragraph E3.15(c); or (iii) immediately under paragraph E3.15(e), if neither a statement, a modification proposal

	nor directions are made by the Authority within (and including) 28 days from the Authority's publication of its Significant Code Review conclusions; or (iv) if a statement has been made under paragraph E3.15(d) or a Backstop Direction has been, on the date specified in accordance with paragraph E3.16, of condition E3 (Grid Code).
Grid Supply Point	means any point at which electricity is delivered from the National Electricity Transmission System to any Distribution System.

H

Holding Company	**means a holding company within the meaning of section 1159 of the Companies Act 2006.**
Housekeeping Modification	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; and ~~(c)~~ updates to: (i) version numbers of other documents mentioned in the licence; (ii) the titles of re-enacted legislation; and (iii) names of bodies that have been renamed.

Housekeeping Modification Working Group	means a working group established for the purposes of considering proposed Housekeeping Modifications under condition A3 (Housekeeping licence modifications).

I

Imbalance Price	**means a price, in the BSC, for charging for imbalances as referred to in ~~paragraph~~ paragraph B1.1.(b)(ii) of special condition 1 of the code manager licence granted in respect of the BSC. ~~E1.12(b)(ii) of condition E1 (Balancing and Settlement Code (BSC)).~~**
Independent Challenge Panel	means a panel of energy sector stakeholders, established under condition G2 (Performance reports and assessment), to promote engagement between the licensee and stakeholders on the licensee's performance and make recommendations to the Authority.
Independence Requirements	means the requirements set out in Part A of condition B1 (Independence Requirements and compliance obligations).
Independence Statement	means a statement of that name prepared under Part E of condition B1 (Independence Requirements and compliance obligations).
Independent System Operator and Planner (ISOP)	means the person for the time being designated as the Independent System Operator and Planner under section 162 of the Energy Act 2023 who holds an Electricity System Operator Licence and Gas System Planner Licence.
Industry Code	means a multilateral code or agreement created and maintained pursuant to a licence granted by the Authority under section 6 of the Electricity Act 1989 or under sections 7, 7ZA, 7A, 7AA, 7AB, or 7AC of the Gas Act 1986.
Industry Readiness and Preparedness Report	means a report of that name prepared under Part E of condition C7 (Energy resilience and resilience reporting).
Information Request Notice	means a notice issued by the licensee in accordance with condition D2 (Information requests by the licensee).

Innovation Project	means a project funded by the: ~~(a)~~ RIIO-2 NIA ~~(b)~~ RIIO-3 NIA ~~(c)~~ SIF.
Interconnected System Operator	means any Authorised Electricity Operator, or any other Transmission System Operator or Distribution System Operator with whose system a Transmission Licensee's Transmission System is connected or with whom the licensee interfaces.
Interconnected TSO	means the operator of any Transmission System outside of the National Electricity Transmission System Operator Area whose Transmission System is connected to the National Electricity Transmission System by one or more Electricity Interconnectors (irrespective of the ownership of those Electricity Interconnectors).
Interconnector Developer	means a person who owns and/or operates an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.
Interconnector Licence	means a licence granted or treated as granted under section 6(1)(e) of the Electricity Act 1989.
Interconnector Owner	means the holder for the time being of an Interconnector Licence in relation to which licence the Authority has issued a Section G (Cap and Floor Conditions) Direction and in which Section G remains in effect (whether or not subject to any terms included in the Section G (Cap and Floor Conditions) Direction or to any subsequent variation of its terms, to which the licensee may be subject).
Interim Connect and Manage Offer	means an offer for connection from the licensee pursuant to the interim connect and manage framework in place between May 2009 and the Connect and Manage Implementation Date.

Internal Expenditure	means the net expenditure incurred by the licensee in order to carry out the ISOP Business (excluding External Expenditure) and which is recoverable by the licensee through the term INTEt in Part D of condition F1 (Expenditure and allowed revenue).
Intervention Plan	means a document or set of documents (which may be in a suitably secure electronic format) established in accordance with Part B of condition F4 (Assets and resources).
IP Completion Day	has the same meaning as that given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.
ISOP Advice	means advice, analysis or information provided by the ISOP in accordance with section 171 of the Energy Act 2023.
ISOP Affiliate	means any Subsidiary of the licensee.
ISOP Associate	means an ISOP Affiliate or ISOP Related Undertaking in which the licensee holds shares or other investments.
ISOP Business	means any business or activities that are: (a) the ISOP's functions (as described in section 161(2) of the Energy Act 2023); (b) exercisable in connection with the ISOP's functions; and/or (c) any business or activity to which the Authority has given its consent in Writing.
ISOP Information Request Statement	means the statement prepared by the licensee and approved by the Authority in accordance with Part B of condition D2 (Information requests by the licensee).
ISOP Regulatory Asset Value	means the final amount of the regulatory asset value calculated for the licensee under the Transmission Licence it held immediately prior to the designation of the ISOP and this licence coming into effect, as calculated in line with the guidance and closeout methodologies in the NESO Financial Handbook.
ISOP Related Undertaking	means any Undertaking in which the licensee has a Participating Interest.
ISOP Working Capital Facility	means a financing agreement between Government and the ISOP to allow for

	short term financing of working capital requirements.

J

K

L

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

M

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

	Electricity Transmission System; (iv) the development of new control centres on the National Electricity Transmission System; and ~~(b)~~ long term agreements for Balancing Services that commit to a substantial level of costs over multiple Regulatory Years.
Maximum Revenue	means the revenue calculated in accordance with the formula set out in Part B of condition F3 (Recovery of transmission network revenues).
Meter Reading Services	means the retrieval and verification of meter reading data from gas meters, the inspection of the meter from which data is retrieved and the delivery of such data to any relevant person for the purpose of data processing, other than in relation to meter readings that a Gas Transporter obtains on its own behalf for the purpose of securing the efficient and economical physical operation of its pipeline system
Meter-Related Services	means the provision, installation, commissioning, inspection, repairing, alteration, repositioning, removal, renewal and maintenance of the whole or part of the Supply Meter Installation as defined in Section M, paragraph 1.2 of the Network Code of National Gas Transmission, as at 01 July 2018, as defined within amended standard condition 8 (Provision and Return of Meters) of National Gas Transmission plc's Transporter Licence on that date.
Minister of the Crown	has the meaning given to that term in section 8(1) of the Ministers of the Crown Act 1975.

N

National Demand	**has the meaning given to the term in the Grid Code.**
National Electricity Transmission System	means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by Transmission Licensees, or operated by the licensee, within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any Electricity Interconnector and includes any electrical plant or meters owned or operated by any Transmission Licensee or the licensee within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity.
National Electricity Transmission System Operator Area	means the area by that name as set out in the terms of the ISOP's Electricity System Operator Licence.
National Electricity Transmission System Security and Quality of Supply Standard (SQSS)	means the security and quality of supply standard provided for in condition E7, as from time to time modified in accordance with that condition.
National Transmission System	means the National Transmission System as defined in the Uniform Network Code.
Needs Case	in the context of Developer-Associated Offshore Wider Works means the economic case for such works in the context of the benefit to be obtained or likely in the future to be obtained for users of the National Electricity Transmission System.
NESO Business Plan Guidance	means the document developed and published by the Authority in accordance with Part E of condition G1(Business Plan).
NESO Financial Handbook	means the document of that name that is published by the Authority and amended from time to time by direction in accordance with the provisions of condition F5 (Financial model and handbook) of the Electricity System Operator Licence and condition F4

	(Financial model and handbook) of the Gas System Planner Licence.
NESO Financial Model	means the model of that name that is published by the licensee under condition F5 (Financial model and handbook) and is represented by a workbook in Microsoft Excel® format, or other computer programming language and data as appropriate; and that is used to determine the value of the term $ESOAR_t$ in accordance with the guidance contained in the NESO Financial Handbook.
NESO Licence Expectations Document	means the document of that name that is published by the Authority and amended from time to time by direction in accordance with the provisions of condition C1 (General principles and minimum standards) of the Electricity System Operator Licence and condition C1 (General principles and minimum standards) of the Gas System Planner Licence.
NESO-Market Facilitator Ways of Working Document	means the document of that name to establish a framework for coordination between the licensee and Market Facilitator relating to the design of the NESO Services and other matters.
NESO Performance Arrangements Governance Document	means a document developed and published by the Authority in accordance with Part B of condition G2 (Performance reports and assessment).
NESO Services	means the services which are deemed to be in scope of the role of the Market Facilitator as set out in the Market Facilitator Governance Framework Document.
Network Access Policy (NAP)	means a policy to facilitate efficient performance and effective liaison between the licensee and Transmission Owners in relation to the planning, management, and operation of the National Electricity Transmission System for the benefit of consumers.

Network Innovation Interested Parties	include, but are not limited to: the Engineering and Physical Sciences Research Council; the Department for Energy Security and Net Zero; Innovate UK and their successor bodies; a Transmission Licensee or a Licensed Distributor not regulated through the RIIO model.
Network Need	has the meaning given to that term in the Criteria Regulations.
Network Operator	has the meaning given to that term in the Grid Code.
Network Options Assessment (NOA)	means the network planning processes and publications described in condition C13 (The Network Options Assessment (NOA) process and reporting requirements).
NIA	means the network innovation allowance provided by condition F2 (Innovation funding).
NIC Governance Document	means the document of that name maintained by the Authority in accordance with Part G of condition F2 (Innovation funding) of this licence in force on 31 March 2026.
NOA Process	means the process set out in Parts A through D of condition C13 (The Network Options Assessment (NOA) process and reporting requirements).
Non Developer Associated Offshore Wider Works	means Offshore Wider Works which a person seeking connection under condition E12 (Requirement to offer terms) will not be responsible for undertaking as part of the terms of any offer, agreement or variation made pursuant to that condition, including any Preliminary Works.
Notice of Remediation	means a direction issued by the Authority pursuant to Part H of condition C1 (General principles and minimum standards).
NTS System Operation Activity	has the meaning given to that term in National Gas Transmission Plc's Transporter Licence special condition 1.1 (Interpretation and definitions).

O

Offshore Transmission	**has the meaning given at section 6F of the Electricity Act 1989.**
Offshore Transmission Owner	means a Transmission Licensee to which the Authority has issued a Transmission Licence Section E (offshore transmission owner standard conditions) Direction and where Section E of the Transmission Licence remains in effect (whether or not subject to any terms included in a Transmission Licence Section E (offshore transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the Transmission Licensee may be subject).
Offshore Transmission System	means a Transmission System that is used for purposes connected with Offshore Transmission.
Offshore Waters	has the meaning given in the Electricity Act 1989.
Offshore Wider Works	means works associated with Offshore Transmission identified by the licensee that are designed to reinforce or extend the National Electricity Transmission System for the benefit of multiple parties, both onshore and offshore and including generation and demand.
Operational Services	means the operational services contracted to be provided to or from, the licensee under the Operational Services Agreement.
Operational Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
OSA Notice	means an Operational Services Agreement notice issued to the licensee by the Authority to the effect that Part C of condition B1(Requirements and compliance obligations) has been satisfied and no longer applies.

Outage Change	means a change notified to Transmission Owners, Offshore Transmission Owners or any successor company to each, by the licensee to the Outage Plan on or after Week 49, as updated from time to time in accordance with the STC, other than: ~~(a)~~ a change to the Outage Plan requested by Transmission Owners, Offshore Transmission Owners or any successor company to each (the "original change"); and ~~(b)~~ such changes notified to Transmission Owners, Offshore Transmission Owners or any successor company to each by the licensee which: (i) the licensee and Transmission Owners, Offshore Transmission Owners or any successor company to each agree are necessary in order to give effect to the original change; or (ii) where there is a failure to agree, the Authority determines are necessary in order to give effect to the original change, and ~~(c)~~ without prejudice to sub-paragraphs (a) and (b) above, any change to the Outage Plan notified to Transmission Owners, Offshore Transmission Owners or any successor company to each by the licensee which the licensee and the Transmission Owner or Offshore Transmission Owner agree is not an Outage Change under this licence condition (a "non-chargeable outage change").

Outage Plan	has the meaning given to that term in the STC.

P

p/kWh	**means pence per kilowatt hour.**
Participating Interest	has the meaning given in section 421A of the Financial Services and Markets Act 2000.
Party Entry Processes	means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.
Peak National Demand	means the outturn peak National Demand adjusted in accordance with the Weather Correction Methodology.
Peak National Demand Forecast	means the one-year or four-year ahead forecast of Peak National Demand that is associated with the licensee's Peak System Demand Forecast and estimate of capacity to meet that Peak System Demand Forecast in the Electricity Capacity Report.
Peak System Demand Forecast	means the forecast in the Electricity Capacity Report of peak demand across the Total Electricity System met by all forms of generation; which includes forecasts of Peak National Demand, peak demand met by distributed generation and peak demand reduction by Demand Side Response.
Performance-Related Pay	means any pay awarded to employees of the licensee which is additional to an employee's fixed base salary, and which is variable depending on the performance of the employee.
Permitted Administration Fee	the amount the licensee is permitted to raise and retain for administering the mechanism contained in condition E14 (Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations).

Permitted Purpose	means the purpose of: ~~(a)~~ carrying out the ISOP Business, or any business or activity within the limits of condition B2 (Restriction on activity and financial ringfencing); or ~~(b)~~ any other business or activity to which the Authority has given its specific consent to in Writing.
Plan Determination	means the document published by the Authority, in accordance with Part D of condition G1, setting out the Authority's determination in relation to the Business Plan for the period covered by the Business Plan submission.
Potential Conflict Party	means any party whose interests might be affected or favoured by the activities and decisions of the ISOP such that it might reasonably be viewed that the ISOP (or its personnel) could have a conflict of interest in relation to those activities or those decisions by virtue of a connection or relationship with that party. This may include: ~~(a)~~ a Regulated Person; ~~(b)~~ Holding Company of a Regulated Person; ~~(c)~~ trade association of Regulated Persons or shareholder with significant control of a Regulated Person; or ~~(d)~~ material or prospective material supplier or service provider to the ISOP where a reasonable concern about conflict might arise. This includes parties that hold a licence or exemption granted by or within the enforcement jurisdiction of the Authority. It excludes government bodies (except where that government body is, or carries on the functions of a Regulated Person, in which case the government body shall not be excluded).

Preliminary Works	in the context of Developer-Associated Offshore Wider Works and Non Developer Associated Offshore Wider Works has the meaning given to it in regulations made by the Authority under section 6C of the Electricity Act 1989.
Procurement Guidelines Statement	means a statement prepared and published by the licensee in accordance with Part D of condition C9 (Design, procurement and use of Balancing Services).
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.

Q

R

RAV Returns	**mean revenues collected on behalf of the Secretary of State in relation to the cost of capital and depreciation of the ISOP Regulatory Asset Value.**
Reference Variable Rate	the variable rate of interest, as set out in the NESO Financial Handbook, that is set as the benchmark rate or reference rate for the ISOP Working Capital Facility.
Regulated Person	as the context requires, has the meaning given to that term in the Gas Act 1986 or the Electricity Act 1989.
Regulatory Year	means a period of 12 months commencing on 1 April.
Related Undertaking	means any Undertaking of a person, where that person has a Participating Interest.
Relevant Agreement	means an agreement in respect of which paragraph 3 of standard condition 10C of the licensee's Transmission Licence, as such applied immediately prior to 18 September 2001 had effect.

Relevant Asset	means any asset for the time being forming part of the National Electricity Transmission System, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property).
Relevant Balancing Services	means Balancing Services other than: ~~(a)~~ those which the licensee has acquired through the mere acceptance of an offer or bid in the Balancing Mechanism, provided that such offer or bid was not made pursuant to any prior agreement, and ~~(b)~~ those which the Authority directs the licensee not to treat as Relevant Balancing Services.
Relevant Code	means, as the context requires: ~~(a)~~ the Grid Code; ~~(b)~~ the Balancing and Settlement Code; ~~(c)~~ the Connection and Use of System Code; or ~~(d)~~ the System Operator - Transmission Owner Code.
Relevant Code Administrator	means, as the context requires: ~~(a)~~ the Grid Code Administrator; ~~(b)~~ the BSC Code ~~Administrator~~ Manager; ~~(c)~~ the CUSC Code Administrator; or ~~(d)~~ the STC Code Administrator.

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

Relevant Offshore Agreement	means an agreement between an Existing Offshore Generator and the licensee for connection to and/or use of the National Electricity Transmission System or an agreement between an Existing Offshore Generator and a Licensed Distributor for connection to its Distribution System.
Relevant Year	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
Remediation Plan	means a plan developed by the licensee that meets the requirements of a Notice of Remediation issued by the Authority pursuant to Part H of condition C1 (General principles and minimum standards).
Remuneration Policy	means the remuneration policy described in Part B of condition F7 (Remuneration Policy and Expenses Policy).
Renewable Energy Zone	means an area designated by Order in Council under section 84(4) of the Energy Act 2004.
Restoration Approach	means the method by which the licensee will restore the National Electricity Transmission System in the event of a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
Restoration Services	means services procured by the licensee and used to re-energise the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
Restoration Times	means the time it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).
RIIO Gas Distribution Licensee	means Cadent Gas Ltd, Northern Gas Networks Ltd, Scotland Gas Networks plc, Southern Gas Networks plc, and Wales and West Utilities Ltd or any relevant successor companies.
RIIO Electricity Transmission Licensee	means National Grid Electricity Transmission Plc, Scottish Hydro Electric Transmission Plc, and SP Transmission Plc.

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

S

Security Period	**for the purposes of Part F of condition F9 (Disapplication and suspension of Relevant Licence Conditions) means a period commencing on the date on which any direction issued by the Secretary of State under section 34(4) of the Electricity Act 1989 enters into effect and terminating on such date (being not earlier than the date such direction, as varied, is revoked or expires) as the Authority, after consultation with such persons (including, without limitation, licence holders liable to be principally affected) as it shall consider appropriate, may with the consent of the Secretary of State by notice to all licence holders determine.**
Self-Governance Criteria	means a proposal that, if implemented, ~~(a)~~ is unlikely to have a material effect on: (i) existing or future electricity consumers; and (ii) competition in the generation, distribution, or supply of electricity or any commercial activities connected with the generation, distribution, or supply of electricity; and (iii) the operation of the National Electricity Transmission System; and (iv) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and (v) the relevant Industry Code's governance procedures or

	modification procedures, and ~~(b)~~ is unlikely to discriminate between different classes of Relevant Code Parties.
Self-Governance Statement	means the statement made by the Relevant Code Panel: ~~(a)~~ confirming that, in its opinion, the Self-Governance Criteria are met and the modification is suitable for the self-governance route; and ~~(b)~~ providing a detailed explanation of the Relevant Code Panel's reasons for that opinion. and submitted to the Authority in accordance with: (i) for the purposes of condition E2 Connection and Use of System Code only paragraph E2.11(a)(i); (ii) for the purposes of condition E3 Grid Code only paragraph E3.10(a)(i); and ~~(iii) for the purposes of condition E1 Balancing and Settlement Code only paragraph E1.19(a)(i); and~~ (iv) for the purposes of condition E4 System Operator - Transmission Owner Code only paragraph E4.9(a)(i).

Shetland AAHDCS Tariff	means the tariff calculated in accordance with Part B, paragraph F8.10 (Assistance for areas with High Distribution Costs Scheme).
Shetland Assistance Amount	means the amount payable by the licensee to a Relevant Distributor in any Relevant Year made pursuant to Part C, paragraph F8.19 (Assistance for Areas with High Distribution Costs Scheme) and with the value specified in or calculated in accordance with Part A, paragraph F8.4 (Assistance for Areas with High Distribution Costs Scheme).
Shortfall Direction	means a direction issued by the Secretary of State for the purpose of meeting any "relevant debt", within the meaning given to those words: ~~(a)~~ in relation to energy administration, in section 169(4) of the Energy Act 2004; ~~(b)~~ in relation to energy supply company administration, section 99 (4) of the Energy Act 2011; ~~(c)~~ in relation to smart meter communication licensee administration, in section 7(4) of the Smart Meters Act 2018, (including (A) any modifications to such direction made by any subsequent Shortfall Direction, or (B) any Shortfall Direction replacing a previous Shortfall Direction).
Shortfall Payment Recipient	the persons to whom the amount to be raised by the licensee and applied in making good the shortfall is to be paid.
SIF	means the strategic innovation fund established by condition F2 (Innovation funding).
SIF Directly Attributable Costs	means costs relating to the maintenance and management of intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor that have not been otherwise

	remunerated through Transmission Network Charges, Directly Remunerated Services for any Transmission Licensee or Licenced Distributor (as defined in the special conditions of those licences), or the SIF Funding Mechanism.
SIF Disallowed Expenditure	means revenue received, whether by the licensee or Transmission Licensee or by a Licensed Distributor, under the SIF Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Funding	means the total amount of funding authorised by the Authority for the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF, in accordance with the provisions of the SIF Governance Document, for the purpose of funding the administration of the SIF and Eligible SIF Projects.
SIF Funding Mechanism	means the mechanism by which the licensee recovers the amount of authorised SIF Funding in any Regulatory Year and apportions that amount between the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF as appropriate in accordance with the SIF Governance Document.
SIF Funding Return	means the total amount, in respect of the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF, of any amounts arising under the SIF Funding Return Mechanism.
SIF Funding Return Mechanism	means the mechanism which provides for the recovery from the licensee, from Transmission Licensees, Licensed Distributors and any body administering the SIF, in each case to such extent (if any) as may be relevant, of: ~~(a)~~ SIF Halted Project Revenues; ~~(b)~~ SIF Disallowed Expenditure; ~~(c)~~ SIF Returned Royalty Income; ~~(d)~~ SIF Returned Project Revenues; and

	~~(c)~~ funds for administrating the SIF.
SIF Governance Document	means the document issued by the Authority under Part F of condition F2 (Innovation funding).
SIF Halted Project Revenues	means revenues received, whether by the licensee or any Transmission Licensee or by a Licensed Distributor under the SIF Funding Mechanism in respect of an Eligible SIF Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the SIF Governance Document or the terms of the relevant SIF Project Direction.
SIF Project Direction	means a direction issued by the Authority pursuant to the SIF Governance Document setting out the terms to be followed in relation to an Eligible SIF Project as a condition of its funding under the SIF Funding Mechanism.
SIF Returned Project Revenues	means: ~~(a)~~ revenues received, whether by the licensee or any Transmission Licensee or by a Licensed Distributor under the SIF Funding Mechanism in respect of an Eligible SIF Project that the Authority determines have not been spent, and where that project has been carried out in accordance with the applicable provisions of the SIF Governance Document and/or the terms of the relevant SIF Project Direction; or ~~(b)~~ revenues earned from Eligible SIF Projects, whether undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor other than SIF Returned Royalty Income, that the Authority

	determines are payable to customers.
SIF Returned Royalty Income	means revenue earned from intellectual property generated through Eligible SIF Projects, whether undertaken by the licensee or any Transmission Licensee or by a Licensed Distributor less SIF Directly Attributable Costs, and that is payable to customers under the SIF Funding Mechanism, as calculated in accordance with the provisions of the SIF Governance Document.
Significant Code Review	means a review of one or more matters which the Authority considers is likely to: ~~(a)~~ relate to the relevant Industry Code (either on its own or in conjunction with other Industry Codes); and ~~(b)~~ be of particular significance in relation to its principal objective and/or general duties (under section 3A of the Electricity Act 1989), statutory functions and/or relevant obligations arising under Assimilated Law, and concerning which the Authority has issued a notice to the Relevant Code Parties (among others, as appropriate) stating: (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 Direction	means direction(s) issued following publication of Significant Code Review conclusions which shall contain: ~~(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).
Site-Specific Charges	means charges as defined in Schedule 10 of the STC.
Small Participant	means ~~(d)~~ an Electricity Generator, Authorised Supplier, Authorised Distributor, or new entrant to the electricity market in Great Britain that can demonstrate to the Relevant Code Administrator that it is resource-constrained and, therefore, in particular need of assistance; ~~(e)~~ any other participant class of participant that the Relevant Code Administrator considers to be in particular need of assistance; and ~~(a)~~ a participant or class of participant that the Authority has notified to the Relevant Code Administrator as being in particular need of assistance.

SO Bad Debt	means the expense incurred by the licensee when Balancing Services Charges owed to the licensee are not considered recoverable and which crystallises when normal payment terms have been exceeded and the licensee has made all reasonable efforts to collect the debt but is unable to recover the amounts owed.
SO:TO Optimisation Governance Document	means the document issued by the Authority under Part A of condition E8 (SO-TO Optimisation Governance).
SO-TO Optimisation Report	means a document prepared and published by the licensee in accordance with Part B of condition E8 (SO-TO optimisation governance).
SO-TO Optimisation Solutions	has the meaning given to that term in the SO:TO Optimisation Governance Document.
SO-TO Commercial Threshold	Means a financial value of £1,900,000 in 2018/19 prices (inflated according to the indexation methodology in the NESO Financial Handbook) or another value directed by the Authority.
Specified Area	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.
STC Code Administrator	A secretarial or administrative person or body, as specified in the STC, to perform the role of code administrator.
STC Framework Agreement	means the agreement of that title, in the form approved by the Secretary of State, by which the STC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State.
STC Panel	a panel body for the STC, whose functions must include the matters required by condition E4 (System Operator – Transmission Owner Code) and as set out in the STC.
STC Party	means a party or parties to the STC Framework Agreement.

STC Procedures	means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.
STC Significant Code Review Phase	means the period: ~~(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 Backstop Direction; and ~~(b)~~ ending either: (i) on the date on which the Authority issues a statement under paragraph E4.15(b) that no directions will be issued in relation to the STC; or (ii) if no statement is made under paragraph E4.15(b) or (d), on the date on which the licensee has made a modification proposal in accordance with directions issued by the Authority under paragraph E4.15(a), or the Authority makes a modification proposal under paragraph E4.15(c); or (iii) immediately under paragraph E4.15(e), if neither a statement, a modification proposal, nor directions are made by the Authority within (and including) 28 days from the Authority's publication of its

	Significant Code Review conclusions; or (iv) if a statement has been made under paragraph E4.15(d) or a Backstop Direction has been made, on the date specified in accordance with paragraph E4.16 of condition E4 (System Operator - Transmission Owner Code).
Strategic Aims	means a document which: (a) sets out the medium to long term outcomes and impacts the licensee is aiming to achieve; (b) explains the licensee's strategy for delivering those outcomes and impacts; and (c) meets other relevant requirements in the NESO Business Plan Guidance.
Strategic Plan	means the system plan that the Secretary of State has notified to the licensee (and the Authority) from time to time as containing the capacity ranges or pathways that the ISOP is permitted to rely upon as the basis for connections when developing, reviewing and implementing its Connections Methodologies.
Strategic Innovation Fund (SIF)	means the strategic innovation fund established by condition F2 (Innovation funding).
Strategic Spatial Energy Plan (SSEP)	means the supply and demand pathway for Great Britain, which is prepared by the licensee in line with objectives and scope defined in the Commission.
Strategic Spatial Energy Plan Methodology (SSEP Methodology)	means the document of that name, published on the licensee's website, that sets out methodologies to create the SSEP developed by the licensee and approved by the Secretary of State and the Authority.
Strategy and Policy Statement	means the statement for the time being designated under section 131(1) of the Energy Act 2013.

Subsidiary	means a subsidiary within the meaning of section 1159 of the Companies Act 2006.
Sufficiently Independent Director	means a director appointed by the licensee who meets the requirements set out in Part B of condition B1 (Independence requirements and compliance obligations).
Supplier	has the meaning given to that term in the Grid Code.
System Management	means: ~~(a)~~ the licensee's management of Transmission Constraints; ~~(b)~~ the licensee's management of Adverse Effects on the National Electricity Transmission System arising from changes in electrical flows over any Electricity Interconnector which are not the result of actions taken by an Interconnected TSO; and ~~(c)~~ actions by any Interconnected TSO which have an effect on the National Electricity Transmission System.
System Management Action Flagging Methodology	means a methodology to be used by the licensee which, in the licensee's opinion, will enable it to use reasonable endeavours to identify those Balancing Services which the BSC requires it to identify as relating to System Management.
System Operator - Transmission Owner Code (STC)	means the document required to be in place pursuant to condition E4 (System Operator – Transmission Owner Code (STC)) as from time to time modified in accordance with that condition.
System Resilience	means the ability to avoid, adapt to, and quickly and efficiently recover from potential or actual disturbance in the supply of electricity.

T

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

Total Scheme Amount	means the maximum allowable revenue of the licensee in relation to the AAHDCS with the value specified in or as calculated in accordance with Part A, paragraph F8.2 of condition F8(Assistance for Areas with High Distribution Costs Scheme).
Transitional Services Agreement	means the agreement of that name entered into pursuant to the Independent System Operator and Planner Transfer Scheme made pursuant to paragraph 1 of Schedule 9 of the Energy Act 2023.
Transitional Services	means the transitional services contracted to be provided to the licensee under the Transitional Services Agreement.
Transmission Area	has the meaning given to that term in the relevant Transmission Licensee's special licence conditions.
Transmission Business	means the authorised business of a Transmission Licensee or any Affiliate or Related Undertaking in the planning or development or construction or operation or maintenance of the relevant licensee's Transmission System or the National Electricity Transmission System or the provision of Transmission Services (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Electricity Act 1989), but must not include any other business of the Transmission Licensee or any Affiliate or Related Undertaking in the provision of services to or on behalf of any one or more persons.
Transmission Constraint	means any limit on the ability of the National Electricity Transmission System, or any part of it, to transmit the power supplied onto the National Electricity Transmission System to the location where the demand for that power is situated, such limit arising as a result of any one or more of: ~~(a)~~ the need not to exceed the thermal rating of any asset forming part of the National Electricity Transmission System;

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

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

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

U

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

Use of System	means use of the National Electricity Transmission System for the transport of electricity by any Authorised Electricity Operator.
Use of System Charges	means charges made or levied or to be made or levied by the licensee for the provision of Transmission Network Services and/or the Balancing Services Charges, to any Authorised Electricity Operator, but shall not include Connection Charges.
Use of System Charging Methodology	means the principles on which, and the methods by which, for the purposes of achieving the Use of System Charging Objectives, Use of System Charges are determined.
Use of System Charging Objectives	means the following objectives: ~~(d)~~ that compliance with the Use of System Charging Methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity; ~~(e)~~ that compliance with the Use of System Charging Methodology results in charges that reflect, as far as is reasonably practicable, the costs (excluding any payments between the licensee and Transmission Licensees that are made under and in accordance with the System Operator – Transmission Owner Code (STC)) incurred by Transmission Licensees in their Transmission Businesses, and that are compatible with condition C11 (Requirements of a Connect and Manage Connection); ~~(f)~~ that, so far as is consistent with (a) and (b), and is

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

V

W

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

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

X

Y

Z

Zero Carbon Energy System	**means a whole energy system that is compatible with the net zero carbon target as set out in the Climate Change Act 2008.**

Condition A2 Interpretation

Introduction

A2.1. The purpose of this condition is to set out provisions of general interpretation for the conditions of this licence.

A2.2. Note that other provisions exist in the terms of this licence.

Part A: General rules of interpretation

A2.3. The provisions of this licence are to be read and understood as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them.

A2.4. Unless the context otherwise requires, any word or expression defined in the Utilities Act 2000, the Gas Act 1986, the Electricity Act 1989, or any of the Energy Acts 2004, 2008, 2010, 2013 and 2023 has the same meaning when used in the conditions of this licence.

A2.5. Unless the context otherwise requires, any reference in the conditions of this licence to an Industry Code, an agreement, or a statement is a reference to that code, agreement, or statement as modified, supplemented, transferred, novated, revised, or replaced from time to time.

A2.6. The heading or title of any section, condition, schedule, paragraph, or sub-paragraph in the conditions of this licence is for convenience only and does not affect the interpretation of the text to which it relates.

A2.7. The "Introduction" of a condition, before Part A, is for convenience only.

A2.8. Unless the context otherwise requires:

~~(a)~~ any reference in the conditions of this licence to a section, part, condition, schedule, or paragraph is a reference to it in the conditions of this licence;

~~(b)~~ any reference in a condition of this licence to a part or paragraph is a reference to it in that condition; and

~~(c)~~ any reference in the conditions of this licence to any natural or legal person includes that person's successors.

A2.9. Any reference in the conditions of this licence to any of the following:

~~(a)~~ a provision of the conditions of the Gas System Planner Licence;

~~(b)~~ a provision of the standard conditions or special conditions of electricity Transmission Licences;

~~(c)~~ a provision of the standard conditions of Electricity Supply Licences;

~~(d)~~ a provision of the standard conditions of electricity Distribution Licences;

~~(e)~~ a provision of the standard conditions of electricity Generation Licences; or

~~(f)~~ a provision of the standard conditions of electricity Interconnector Licences;

is to be read, if the conditions of this or of any of the other licences are subsequently modified, as a reference (so far as the context permits) to the corresponding provision of the other relevant conditions.

A2.10. References to "the licensee" in this licence are references to the ISOP to whom this licence has been granted, or is to be treated as granted, under section 6(1)(da) of the Electricity Act 1989.

A2.11. Wherever the subscript 't' is used, without further numerical notation, the value to be used is the one for the Regulatory Year in question.

A2.12. A positive or negative numerical notation accompanying the letter t in subscript indicates that the value to be used is for a year after or before the Regulatory Year in question and the number indicates how many years after or before. For example 't-1' means the year before the Regulatory Year in question.

A2.13. In some cases, other subscripts may also be used to denote the value for a specific Regulatory Year and are noted in those conditions.

A2.14. Any values derived by reference to the value of revenues accrued, received or paid by or to the licensee shall be the actual sum accrued, received or paid by or to the licensee on the date of such accrual, receipt or payment without any adjustment for inflation or interest after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so accrued, received or paid.

A2.15. Any monetary values in these conditions are in sterling in nominal terms unless otherwise indicated.

A2.16. Unless otherwise indicated, the Financial Handbook will make provision for any revenue terms or monetary values which require price indexation and the methodology that should be used for indexation.

Part B: Licensee's performance of obligations

A2.17. Where any obligation in this licence is required to be performed by a specified date or time or within a specified period and the licensee has failed to do so, the obligation will continue to be binding and enforceable after the specified date or time or after the end of the specified period, but without prejudice to all rights and remedies available against the licensee in relation to its failure.

A2.18. The licensee must comply with a direction (and with any conditions to which the direction may be subject) given to it by the Authority or the Secretary of State under any provision of this licence that provides for such direction to be given.

A2.19. Where obligations in this licence provide for specific named documents, reports or assessments of the same name to be produced as under the Gas System Planner Licence, the licensee must prepare the documents in the same form, manner and submission as the equivalent document in the Gas System Planner Licence.

A2.20. No provision of this licence shall be construed as requiring, or take effect so to require, the licensee to act other than in accordance with its duties under the Energy Act 2023.

Part C: Specific application of powers

A2.21. Unless a contrary intention appears, any power of the Authority under any provision of this licence to give a direction, consent, derogation, approval or designation, is a power:

~~(a)~~ to give it to such extent, for such period of time, and subject to such conditions as the Authority thinks reasonable in all the circumstances of the case; and

~~(b)~~ to revoke or amend it (after consulting the licensee) or give it again under that power.

A2.22. Unless a contrary intention appears, any power of the Authority under any provision of this licence to make a determination or a decision is a power:

~~(a)~~ to make it subject to such terms and conditions as the Authority thinks reasonable in all the circumstances of the case; and

~~(b)~~ to make it again under that power.

A2.23. Any direction, consent, derogation, approval, designation or determination, decision or other instrument given or made by the Authority under this licence will be given or made in Writing.

A2.24. Where these conditions provide for the Authority to issue or amend a document by direction, the steps required to achieve this may be satisfied by action taken before, on, or after the date the relevant condition comes into effect.

A2.25. Any reference in a condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence.

Condition A3 Housekeeping licence modifications

Introduction

A3.1. 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

A3.2. Before initiating any modification under this condition, the Authority will assess whether that modification is a Housekeeping Modification.

A3.3. In making the assessment required by paragraph A3.2, the Authority will have regard to all relevant factors including the views of the Housekeeping Modification Working Group.

Part B: Circumstances in which a modification may be made

A3.4. If, having carried out the required assessment under Part A, the Authority considers that an intended modification of the conditions of this licence is a Housekeeping Modification, it may modify the licence by direction to implement the intended modification. Otherwise, any modification will be made under section 11A of the Electricity Act 1989 or section 169 of the Energy Act 2023 where appropriate.

A3.5. Before making a direction under paragraph A3.4, the Authority will publish on the Authority'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.

A3.6. A direction under paragraph A3.4 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 B: Business conduct and independence

Condition B1 Independence Requirements and compliance obligations

Introduction

B1.1. The purpose of this condition is to establish the Independence Requirements and compliance obligations for the licensee, as follows:

~~(a)~~ Part A sets out the Independence Requirements;

~~(b)~~ Part B sets out the requirements in relation to Sufficiently Independent Directors;

~~(c)~~ Part C sets out the obligations related to Operational Services;

~~(d)~~ Part D sets out the obligations related to Transitional Services;

~~(e)~~ Part E sets out the requirement for an Independence Statement;

~~(f)~~ Part F sets out the obligations for the appointment of a Compliance Officer and compliance reporting; and

~~(g)~~ Part G provides for the licensee to apply for a derogation for relief from its obligations under this condition.

B1.2. The Secretary of State's policy is that the licensee is anticipated to have a high level of operational independence from government.

Part A: Independence Requirements

B1.3. The licensee must put in place and maintain such systems, processes and other governance arrangements that are necessary to maintain its independence from Potential Conflict Parties and must ensure that it does not become a party to any arrangements that compromise, or could reasonably be seen as compromising, that independence. This should include, but not be limited to, arrangements that support the impartiality and integrity of the actions of individual employees.

B1.4. The licensee must use best endeavours to avoid any perceived or real conflicts of interest relating to any Potential Conflict Parties.

B1.5. Paragraphs B1.3 and B1.4 do not exclude the licensee from engaging in partnership projects with Potential Conflict Parties or cooperating with Potential Conflict Parties as required to act consistently with its duties under the Energy Act 2023 and the conditions of this licence.

B1.6. Nothing in this condition will prevent the licensee from being party to, or meeting its obligations or exercising its rights under the FSO Day 1 Agreements.

Part B: Requirements for non-executive directors to be Sufficiently Independent Directors

B1.7. Subject to paragraph B1.16, except and to the extent that the Authority consents otherwise, the licensee must ensure that at all times at least half of its non-executive directors are Sufficiently Independent Directors.

B1.8. A Sufficiently Independent Director must:

~~(a)~~ be a natural person;

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

~~(c)~~ not have any executive duties within the licensee.

B1.9. Except and to the extent that the Authority consents otherwise, a Sufficiently Independent Director must not be, and must not have been during the 12 months before their 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 any Potential Conflict Party.

B1.10. Except and to the extent that the Authority consents otherwise, a Sufficiently Independent Director must not:

~~(a)~~ have held during the 12 months before their appointment as a director or the coming into force of this condition (whichever is the later), currently hold, or enter into any contractual arrangements with the licensee, ISOP Associate or Potential Conflict Party;

~~(b)~~ hold a position to represent the interests of any ISOP Associate or the interests of any Potential Conflict Party;

~~(c)~~ receive remuneration from the licensee (apart from a director's fee and reasonable expenses), or from any ISOP Associate or Potential Conflict Party; or

~~(d)~~ hold any direct shareholdings in any ISOP Associate or Potential Conflict Party,

where a reasonable expectation of conflict of interest might arise.

B1.11. For the purposes of paragraph B1.10(c), the receipt or retention of any benefit accrued from prior employment or service with the licensee, any ISOP Associate or Potential Conflict Party will not be considered to be remuneration.

B1.12. The licensee must notify the Authority of the names of its Sufficiently Independent Directors within 14 days from the date this licence comes into effect and must notify the Authority within 14 days from the date of

appointment where any new directors are appointed to fulfil the obligation in paragraph B1.16.

B1.13. The terms of appointment of each Sufficiently Independent Director must include a condition stipulating that both the licensee and the appointee must use their best endeavours to ensure that the appointee remains a Sufficiently Independent Director during their term of office, having particular regard to the requirements set out in paragraphs B1.8, B1.9 and B1.10.

B1.14. A term of appointment for a Sufficiently Independent Director must not be for longer than 8 years, but an individual may be reappointed thereafter provided that they continue to meet the requirements set out in paragraphs B1.8, B1.9 and B1.10.

B1.15. 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 obligation, the reasons for a resignation may, if appropriate, be stated to be personal reasons.

B1.16. If at any time fewer than half of the licensee's non-executive directors are Sufficiently Independent Directors because of a removal or resignation or other reasons (including death or incapacity), the licensee must use its best endeavours to ensure that such new non-executive directors are appointed to fulfil the obligation in paragraph B1.7 as soon as is reasonably practicable to bring the number of Sufficiently Independent Directors up to at least half of the licensee's non-executive directors.

Part C: Operational Services

B1.17. The licensee must ensure that at all times it has in place, exercises its rights and performs its obligations under the Operational Services Agreement to have such Operational Services as are needed to enable it to carry out its functions, before the Authority issues to it an OSA Notice.

B1.18. The licensee must as soon as reasonably practicable notify the Authority if it proposes to make any material change to, extend the duration of, or terminate the Operational Services Agreement (in whole or in part).

B1.19. Prior to the licensee exercising any termination right in respect of the Operational Services Agreement, the licensee must first consult with the Authority.

Part D: Transitional Services

B1.20. The licensee must ensure that at all times it has in place, exercises its rights and performs its obligations under the Transitional Services

Agreement to have such Transitional Services as are needed to enable it to carry out its functions, before the Authority issues to it a TSA Notice.

B1.21. The licensee must use reasonable endeavours to ensure that it is able to operate without the Transitional Services Agreement by the time that the Transitional Services Agreement is due to expire (with the expiry date for that Transitional Services Agreement being the expiry date applicable at the time of this licence coming into effect) or as soon as practicable thereafter.

B1.22. The licensee must as soon as reasonably practicable notify the Authority if it proposes to make any material change to, extend the duration of, or terminate the Transitional Services Agreement (in whole or in part).

Part E: Independence Statement

B1.23. By the end of a period of 30 days, beginning with the date on which this condition comes into effect, the licensee must submit to the Authority the Independence Statement, which must set out the systems, processes and other governance arrangements that the licensee has in place to maintain the impartiality and integrity of the actions of its employees and the independence of the licensee.

B1.24. The licensee must, subject to paragraphs B1.26 and B1.27, ensure that the Independence Statement also sets out:

~~(a)~~ a list of services which fall under the definitions of Transitional Services and Operational Services;

~~(b)~~ details of the Transitional Services Agreement and Operational Services Agreement under which the Transitional Services and Operational Services are (and will be) provided and an explanation of how they ensure that the licensee is able to meet its Independence Requirements;

~~(c)~~ how the licensee will meet its Independence Requirements and obligations under this condition in the treatment of Transitional Services and Operational Services, including proposals as to how it intends to operate without the Transitional Services Agreement by the time that agreement expires;

~~(d)~~ a strategy to transfer to the licensee, or otherwise provide for the long-term outsourcing, of any Transitional Services to services that are not provided by members of National Grid Plc or its Affiliates or Related Undertakings, including:

(i) an approach to transferring Transitional Services to the licensee that ensures economy and efficiency in terms of the combination of cost and quality;

(ii) a clear timeline and milestones to complete transfer to the licensee or outsourcing (without the Transitional Services Agreement) of

services comprising Transitional Services, with due regard to the licensee's Independence Requirements; and

(iii) protection of business continuity for the licensee at all times to fully exercise its ISOP Business and comply with its licence obligations and all relevant requirements (having the meaning given to that term in the Electricity Act 1989);

~~(e)~~ how the licensee will meet its Independence Requirements in relation to any work with a Potential Conflict Party to deliver FSO Transition Activities, including with respect to any contractual agreements established in accordance with paragraph F10.2 of condition F10 (ISOP implementation funding); and

~~(f)~~ such other information as reasonably requested by the Authority in relation to the licensee's Independence Requirements and obligations under this condition.

B1.25. A TSA Notice and/or OSA Notice issued by the Authority may also specify that the obligations under paragraph B1.24 will no longer apply.

B1.26. In respect of Transitional Services and the Transitional Services Agreement only, the obligations under paragraph B1.24 will come into effect at the end of a period of 100 days beginning with the date on which this condition comes into effect, at which point the licensee must submit an updated Independence Statement to the Authority.

B1.27. In respect of Operational Services and the Operational Services Agreement only, the obligations under paragraph B1.24 will come into effect at the end of a period of 6 months beginning with the date on which this condition comes into effect or at the end of such other period as directed by the Authority, at which point the licensee must submit an updated Independence Statement to the Authority.

B1.28. Within 28 days of receipt of the Independence Statement, or any revisions to the Independence Statement as provided for in paragraph B1.29(b), the Authority will:

~~(a)~~ approve the Independence Statement and notify the licensee of such approval; or

~~(b)~~ give a direction to the licensee that the Independence Statement requires further development and direct the date by which the licensee is required to submit any further revisions to the Authority for approval.

B1.29. Following the Authority's approval of the Independence Statement, the licensee must:

~~(a)~~ unless the Authority otherwise consents or directs, comply with the terms of the approved Independence Statement; and

~~(b)~~ review the Independence Statement and revise it as necessary:

(i) at such intervals as the Authority may direct, or at a minimum every 12 months;

(ii) when circumstances change such that the Independence Statement no longer secures compliance with the Independence Requirements and obligations as set out in this condition; and/or

(iii) to ensure that the Independence Statement continues to be complete and accurate in all material respects; and

~~(c)~~ submit any revisions to this document to the Authority, which will only become effective once the Authority has approved them in accordance with paragraph B1.28(a).

B1.30. The licensee must publish a copy of the Independence Statement, and each revised version on its website within a period of 15 Working Days beginning with the date of its approval by the Authority.

B1.31. The licensee must ensure that it has removed any commercially confidential and/or security related material from the version published on its website under paragraph B1.30.

Part F: Appointment of a Compliance Officer and compliance reporting

B1.32. The licensee must, following consultation with the Authority, appoint a Compliance Officer for the purpose of monitoring and facilitating the licensee's compliance with the Independence Requirements and other obligations under this condition.

B1.33. The licensee must ensure that the Compliance Officer appointed under paragraph B1.32 is the same person appointed under condition B1 (Independence Requirements and compliance obligations) of the Gas System Planner Licence.

B1.34. The licensee must ensure that the Compliance Officer:

~~(a)~~ is provided with such staff, premises, equipment, facilities and other resources; and

~~(b)~~ has such access to the licensee's premises, systems, information and documentation,

as, in each case, the Compliance Officer might reasonably require for the fulfilment of the duties and tasks assigned under this condition.

B1.35. The licensee must ensure that the Compliance Officer is not engaged in the management or operation of any ISOP Affiliate or ISOP Related Undertaking, or of any Potential Conflict Parties.

B1.36. The licensee must ensure that the Compliance Officer is sufficiently independent to carry out the duties and tasks under paragraph B1.38.

B1.37. The licensee must make available to the Compliance Officer the details of any complaint or representation received by it from any person in

respect of the conduct of the licensee in undertaking the Independence Requirements and other obligations under this condition.

B1.38. The licensee must ensure that the duties and tasks of the Compliance Officer shall include:

~~(a)~~ providing advice and information to the licensee for the purpose of ensuring the licensee's compliance with the Independence Requirements;

~~(b)~~ monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the Independence Requirements and obligations under this condition and in the Independence Statement;

~~(c)~~ advising whether, to the extent that the implementation of such practices, procedures and systems requires the cooperation of any other person, they are designed so as reasonably to secure the required cooperation;

~~(d)~~ investigating any complaint or representation made available to the Compliance Officer in accordance with paragraph B1.37;

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

~~(f)~~ providing relevant advice and information to the licensee for the purpose of ensuring its implementation of:

(i) the practices, procedures and systems adopted in accordance with the Independence Statement; and

(ii) any remedial action recommended in accordance with paragraph B1.38(e);

~~(g)~~ any other duties or tasks that the licensee or the Authority may reasonably require to fulfil compliance with the Independence Requirements and other obligations under this condition; and

~~(h)~~ reporting annually to the Board once in each Regulatory Year after this condition comes into force as to their activities during the period covered by the report, including the fulfilment of the duties and tasks of the Compliance Officer in paragraphs B1.38(a) to (g).

B1.39. As soon as is reasonably practicable and in any event before the period of 90 days beginning with the date of issue of each annual report of the Compliance Officer under paragraph B1.38(h), the licensee must produce the Compliance Report that sets out the licensee's:

~~(a)~~ compliance with the Independence Requirements and obligations under this condition during the period since the last Compliance Report; and

~~(b)~~ implementation of the practices, procedures and systems adopted in accordance with the Independence Statement.

B1.40. The Compliance Report must:

~~(a)~~ detail the activities of the Compliance Officer during the relevant period covered by the report under paragraph B1.38(h);

~~(b)~~ report on the impartiality of the licensee's employees and the independence of the licensee, including any perceived or real conflicts of interest with Potential Conflict Parties and the steps taken to mitigate these conflicts;

~~(c)~~ refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems described in the Independence Statement; and

~~(d)~~ set out the details of any investigations conducted by the Compliance Officer, including:

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

(ii) the outcome of such investigations; and

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

B1.41. The licensee must, as soon as reasonably practicable, and in any event before the end of the period of 120 days beginning with the issue of each annual report of the Compliance Officer under paragraph B1.38(h), submit to the Authority a copy of the Compliance Report produced in accordance with paragraph B1.39 and publish a copy of it on its website.

Part G: Derogations

B1.42. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition B2 Restriction on activity and financial ringfencing

Introduction

B2.1. The purpose of this condition is to establish the restrictions on activity, shareholdings and other investments of the licensee.

Part A: Restrictions on activity, shares and investments

B2.2. Save as provided by paragraphs B2.3 and B2.4, the licensee must not conduct any business or carry out any activity other than the ISOP Business.

B2.3. 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 ISOP 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.

B2.4. The licensee must 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 out aspects of the ISOP Business that the licensee has delegated to that body (with the approval of the Authority);

~~(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 any purpose related to the ISOP 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 the Independence Requirements and best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the Financial Conduct Authority (or a successor body) from time to time for listed companies in the United Kingdom.

B2.5. Subject to the provisions of paragraph B2.4, nothing in this condition prevents:

~~(a)~~ 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; or

~~(b)~~ the licensee from performing the supervisory or management functions of a Holding Company in respect of any Subsidiary.

Condition B3 Conduct of ISOP Business

Introduction

B3.1. The purpose of this condition is to establish the licensee's obligations in respect of the conduct of its ISOP Business relating to discriminatory and preferential behaviour.

Part A: Licensee's conduct of its ISOP Business

B3.2. The licensee must conduct its ISOP Business in the manner best calculated to secure that none of:

~~(a)~~ the licensee;

~~(b)~~ any ISOP Affiliate or ISOP Related Undertaking;

~~(c)~~ any Gas Shipper or Gas Supplier;

~~(d)~~ any Gas Transporter, including any DN Operator;

~~(e)~~ any user of the National Electricity Transmission System;

~~(f)~~ any Licensed Distributor; or

~~(g)~~ any Transmission Licensee,

obtains an unfair commercial advantage including any advantage from a preferential or discriminatory arrangement.

For the avoidance of doubt, the licensee shall not be in breach of this condition in the compliant application and implementation of the Connections Process.

B3.3. The licensee must manage and deliver its ISOP Business in a way best calculated to ensure that the licensee does not unduly restrict, prevent or distort competition in:

~~(a)~~ the supply of electricity or gas;

~~(b)~~ the shipping of gas;

~~(c)~~ the generation of electricity;

~~(d)~~ the production of gas;

~~(e)~~ electricity transmission;

~~(f)~~ electricity distribution;

~~(g)~~ gas transportation;

~~(h)~~ any Fuel Trading Business; or

~~(i)~~ the supply of Meter-Related Services or of Meter Reading Services.

Part B: Licensee's records of compliance

B3.4. The licensee must keep and maintain such records concerning its compliance with this condition that the Authority considers are sufficient to enable it to assess whether the licensee is complying with this condition.

B3.5. The licensee must provide to the Authority such records under paragraph B3.4 in such form and manner and at such times as the Authority may require.

Condition B4 Compliance with directions related to national security

Introduction

B4.1. The purpose of this condition is to require the licensee to comply with directions issued by the Secretary of State in connection with risks relating to national security.

B4.2. This condition also relieves the licensee of obligations under this licence where and to the extent that they conflict with a direction issued under this condition.

Part A: National security directions

B4.3. The licensee must comply with any direction that has been issued or amended by the Secretary of State in accordance with paragraph B4.4.

B4.4. The Secretary of State may issue a direction under this paragraph where in the opinion of the Secretary of State:

~~(a)~~ there is a risk relating to national security that may detrimentally impact:

(i) the resilience, safety or security of the energy system; or

(ii) the continuity of essential services, and

~~(b)~~ it is in the interest of national security that a direction should be issued to the licensee.

B4.5. A direction under paragraph B4.4 may require the licensee to:

~~(a)~~ take actions or refrain from taking actions as specified in the direction; and/or

~~(b)~~ provide information specified in the direction to the Secretary of State.

B4.6. The Secretary of State may amend or revoke any direction issued to the licensee under this condition.

B4.7. The licensee is not required to comply with any obligation in this licence (or the Gas System Planner Licence), where and to the extent that compliance with that obligation would be inconsistent with the requirement to comply with a direction issued in accordance with paragraph B4.4, for the period set out in the direction.

B4.8. The licensee must inform the Secretary of State of any conflict identified in paragraph B4.7 as soon as reasonably practicable after the conflict is identified.

Condition B5 Prohibition of cross-subsidies

Introduction

B5.1. The purpose of this condition is to establish restrictions on the provision and receipt of cross-subsidies given by or to the licensee.

Part A: Restrictions on cross-subsidies

B5.2. The licensee must not give any cross-subsidy to, or receive any cross-subsidy from, an ISOP Affiliate or ISOP Related Undertaking.

Condition B6 Prohibition on discriminating between users

Introduction

B6.1. The purpose of this condition is to set out the prohibition on the licensee on unduly discriminating between users of the National Electricity Transmission System.

Part A: Licensee's duties to not unduly discriminate

B6.2. In the provision of Use of System, or in the carrying out of works for the purpose of connection to the National Electricity Transmission System, the licensee must not unduly discriminate between any persons or class or classes of persons.

B6.3. Without prejudice to paragraph B6.2 and subject to paragraph B6.5 the licensee must apply charges objectively and without discrimination.

B6.4. The licensee must not make charges for provision of Use of System to any Authorised Electricity Operator or class or classes of Authorised Electricity Operators, which differ in respect of any item separately identified in the statement referred to in paragraph E10.3(b) of condition E10 (Use of System charging and methodology) from those for provision of similar items under Use of System to any other Authorised Electricity Operator or class or classes of Authorised Electricity Operator except insofar as such differences reasonably reflect differences in the costs associated with such provision.

B6.5. Notwithstanding paragraphs B6.3 and B6.4 the licensee must not make Use of System Charges in respect of any item of charge separately identified in the statement referred to in paragraph E10.3(b) of condition E10 on any Authorised Electricity Operator, whose contract does not provide for the Authorised Electricity Operator to receive the service to which such item of charge refers.

B6.6. In setting Use of System Charges, the licensee must not unduly restrict, distort, or prevent competition in the generation, transmission, supply, or distribution of electricity, the supply, shipping, transportation or production of gas or in the participation of the operation of an Interconnector.

Condition B7 Information ringfencing obligations

Introduction

B7.1. The purpose of this condition is to ensure that the licensee appropriately manages and secures confidential data and information that relates to the licensee's performance of its functions.

Part A: Licensee's information ringfencing obligations

B7.2. The licensee must identify any confidential data and information it holds related to the performance of its functions that in its opinion should not be disclosed or otherwise be accessible to persons other than the licensee's employees, agents, contractors and advisors (other than as set out in paragraph B7.7) due to the adverse impact such disclosure or access may give rise to.

B7.3. Confidential data and information under paragraph B7.2 includes but is not limited to:

~~(a)~~ data and information related to national security and to the delivery of the obligations under condition C6 (Licensee's obligations regarding critical national infrastructure) and condition C7 (Energy resilience and resilience reporting); and

~~(b)~~ data and information that is market sensitive.

B7.4. Unless the Authority otherwise consents, the licensee must ensure that appropriate protections are in place to secure that any data and information identified under paragraph B7.2 is appropriately protected from being directly or indirectly disclosed to, solicited or used by any person who is involved in delivery of Operational Services and/or Transitional Services.

B7.5. Subject to paragraph B7.7, the licensee must ensure that appropriate protections are in place to secure that any data and information identified under paragraph B7.2 is appropriately protected from being directly or indirectly disclosed to, solicited or used by any person who:

~~(a)~~ is not required to have access to that confidential data and confidential information; or

~~(b)~~ is delivering FSO Transition Activities as part of bilateral agreements between the licensee and:

(i) National Gas Transmission plc; or

(ii) National Grid Plc or its Affiliates or Related Undertakings.

B7.6. Subject to paragraph B7.7, the licensee must ensure that appropriate protections are in place to secure that any confidential data and information identified under paragraph B7.2 is appropriately protected from being directly or indirectly disclosed to, solicited or used by any

Potential Conflict Party or persons engaged in the management or operation of any Potential Conflict Party.

B7.7. Paragraphs B7.5 and B7.6 do not apply to the disclosure or access of confidential data and information identified under paragraph B7.2:

~~(a)~~ where the licensee is specifically required to do so under a condition of this licence;

~~(b)~~ to National Gas Transmission plc where such disclosure is required by it for purposes connected with the carrying out of NTS System Operation Activity (as authorised by the Transporter Licence granted or treated as granted to National Gas Transmission plc under the Gas Act 1986);

~~(c)~~ where required or permitted under an Industry Code;

~~(d)~~ where required by or under any statute, enactment or provision of subordinate legislation, or the rules of any governmental or regulatory authority having jurisdiction over the licensee, or for the purposes of facilitating the performance of any functions of the Secretary of State or the Authority (for the avoidance of doubt, this includes the functions of the Secretary of State or their advisors in their role as the shareholder of the licensee);

~~(e)~~ where the licensee has obtained prior written consent from the provider of the information for such disclosure, provided that the extent of such disclosure is consistent with the consent obtained; or

~~(f)~~ where authorised in advance in Writing by the Authority.

B7.8. The licensee must maintain a code of conduct governing the identification, disclosure and use of confidential data and information identified under paragraph B7.2, and how the licensee ensures:

~~(a)~~ compliance with its obligations under paragraphs B7.5 and B7.6; and

~~(b)~~ appropriate protections are in place to limit the disclosure of the information related to the delivery of the obligations in Part A and Part B of condition C7 (Energy resilience and resilience reporting) to persons not involved in the delivery of those obligations to where such disclosure is necessary:

(i) for the performance of such obligations;

(ii) to implement mitigations and remediations identified under Part A of condition C7; or

(iii) at the conclusion of any analysis or assessment under Part B of condition C7.

Section C: Strategic and operational functions

Condition C1 General principles and minimum standards

Introduction

C1.1. The purpose of this condition is to set out general principles the licensee must follow and general minimum outcomes the licensee must seek to achieve through the delivery of its activities.

C1.2. These requirements are grouped into the following areas:

~~(a)~~ in Part A, operation of the electricity system;

~~(b)~~ in Part B, energy system efficiency and resilience;

~~(c)~~ in Part C, markets for electricity system services;

~~(d)~~ in Part D, wholesale market arrangements, codes and charging;

~~(e)~~ in Part E, energy system planning and connections; and

~~(f)~~ in Part F, cross-cutting requirements.

C1.3. These general requirements are intended to support and align with the more specific, detailed requirements contained in other parts of this licence.

C1.4. This condition also establishes the NESO Licence Expectations Document, which is a document that may provide guidance on the requirements contained within this condition, as set out in Part G.

C1.5. The condition also sets requirements on the licensee in relation to the provision of a Remediation Plan as set out in Part H.

Part A: Operation of the electricity system

C1.6. The licensee must seek to ensure the National Electricity Transmission System is operated within safe and secure operational limits by maintaining the necessary operational capabilities and by promoting fit for purpose technical requirements.

C1.7. The licensee must have effective systems and processes in place that enable it to accurately understand the National Electricity Transmission System's operational requirements and respond to these requirements in an economic and efficient manner.

C1.8. The licensee must exchange necessary information with Transmission Owners and Licensed Distributors to promote coordinated and efficient operational decision-making across the Total Electricity System.

C1.9. The licensee must use best endeavours to establish and maintain the systems, skills and processes it needs to operate and restore the National Electricity Transmission System effectively in a Zero Carbon Energy System.

C1.10. The licensee must promote the overall transparency and integrity of Balancing Services markets and seek to protect against the exploitation of market power

through effective market monitoring, investigation, and the communication of issues to the Authority.

C1.11. The licensee must carry out its operational actions in a way best calculated to ensure it does not unduly:

~~(a)~~ distort competition; or

~~(b)~~ create inefficiency,

across the wholesale electricity market and Balancing Services markets.

C1.12. The licensee must provide transparency to electricity market participants on its overall approach to operating the National Electricity Transmission System and the framework and process it uses for deciding between different available actions.

Part B: Energy system efficiency and resilience

C1.13. The licensee must promote the enduring security and resilience of the energy system, including by seeking to take a leading role in coordinating resilience activities across the energy system.

C1.14. The licensee must promote coordination between energy system developments in Great Britain and those in interconnected electricity and gas systems, including through effective engagement with interconnected system operators and impacted stakeholders in Great Britain.

C1.15. The licensee must seek to facilitate the digitalisation required in the energy sector to enable a secure and efficient Zero Carbon Energy System.

C1.16. The licensee must produce and publish accurate and unbiased energy system forecasts that create overall value for consumers and stakeholders.

Part C: Markets for electricity system services

C1.17. The licensee must procure all Balancing Services through market-based mechanisms and seek to maximise competition in Balancing Services procurement.

C1.18. The licensee must not unduly discriminate between any persons or classes of person in its procurement of Balancing Services, including by:

~~(a)~~ designing Balancing Services requirements so they do not unduly restrict new or existing service providers or technologies from competing; and

~~(b)~~ using best endeavours to resolve, as soon as reasonably practicable, any technical or capability issues the licensee has which could restrict its ability to procure Balancing Services in a non-discriminatory manner.

C1.19. The licensee must demonstrate it is not unduly discriminating between any persons or classes of person in its procurement of Balancing Services by clearly explaining Balancing Services design and procurement outcomes.

C1.20. The licensee must ensure that Balancing Services are designed to be accessible so that the level of participation is not unnecessarily reduced.

C1.21. The licensee must provide transparency on its future procurement needs for Balancing Services to provide clear investment signals and foster competition.

C1.22. The licensee must work with electricity market participants, Licensed Distributors and the Market Facilitator to support the coordinated development of markets across the Total Electricity System and remove unnecessary restrictions to competing in both Balancing Services and distribution-level flexibility services.

C1.23. The licensee must maintain processes that support the effective trading of electricity with markets connected to Great Britain and seek to remove barriers which could unnecessarily restrict flows over interconnectors.

Part D: Wholesale market arrangements, codes and charging

C1.24. The licensee must engage with industry stakeholders, the Authority, and government to promote the development of energy wholesale market arrangements that facilitate a secure, efficient and economical Zero Carbon Energy System.

C1.25. The licensee must administer the Industry Codes it manages in an impartial, accessible, and coordinated manner.

C1.26. The licensee must develop, manage and maintain fit for purpose Charging Methodologies and engage effectively with relevant parties to identify changes that would better deliver the Use of System Charging Objectives and Applicable Connection Charging Objectives.

C1.27. The licensee must use reasonable endeavours to provide clear communications and transparent forecasts around future Use of System Charges, so that market participants can understand and reasonably estimate these charges.

C1.28. The licensee must maintain transparent, impartial and effective processes in its delivery role for the government's Electricity Market Reform arrangements, including by providing accessible qualification processes and fair and timely guidance and advice.

C1.29. The licensee must seek to support the effective design and operation of the Capacity Market and Contracts for Difference arrangements.

Part E: Energy system planning and connections

C1.30. The licensee must effectively engage with industry stakeholders, the Authority, and government to ensure that its frameworks and procedures for planning the development of the whole energy system are transparent, coordinated and support the timely, secure, efficient and economical transition to a Zero Carbon Energy System.

C1.31. The licensee must take all reasonable steps, through effective engagement with relevant industry stakeholders, the Authority, and government, to ensure the process and procedures for connecting to the electricity system are efficient, and support a timely, secure and efficient transition to a Zero Carbon Energy System.

C1.32. The licensee must take all reasonable steps to ensure that the processes it manages for parties seeking to connect to the electricity system are fair, transparent and robust.

C1.33. The licensee must seek to optimise the timing of outages under the Outage Plan on the National Electricity Transmission System to drive whole energy system benefits.

Part F: Cross-cutting requirements

C1.34. The licensee must ensure that through the delivery of its activities it carries out effective engagement with stakeholders on issues, recommendations or decisions which materially impact those stakeholders or energy sector outcomes.

C1.35. The licensee must take all reasonable steps to clearly explain the reasons underpinning its decisions or recommendations and to provide a level of detail in its stated rationale that is proportionate to the impact those decisions or recommendations have on stakeholders and the energy sector.

C1.36. The licensee must put in place effective processes and governance for the purpose of ensuring that any information or data it publishes or provides to the Authority or government is accurate and that any analysis does not contain errors.

C1.37. The licensee must use reasonable endeavours to ensure that any published information or data is clear and easily accessible to the users of that information.

C1.38. The licensee must use reasonable endeavours to ensure that any externally used information technology platforms that it is responsible for are introduced and maintained in a manner that does not create unnecessary costs or disruption for energy system users.

Part G: The NESO Licence Expectations Document

C1.39. The Authority may issue, and from time-to-time revise, the NESO Licence Expectations Document which is a document that applies guidance on the requirements in Parts A to F of this condition.

C1.40. The licensee must have regard to the NESO Licence Expectations Document and must be able to demonstrate such regard when complying with the provisions of Parts A to F of this condition.

C1.41. The Authority will issue and amend the NESO Licence Expectations Document under this condition by direction.

C1.42. The Authority will publish the NESO Licence Expectations Document issued or amended under this condition on the Authority's Website.

C1.43. Before issuing the new or amended NESO Licence Expectations Document pursuant to paragraph C1.41, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed or amended guidance;

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

~~(c)~~ the reasons for the new or amended guidance; and

~~(d)~~ a period during which representations may be made on the content of the guidance, which will not be less than 28 days.

Part H: Notice of Remediation

C1.44. The Authority may issue a direction to the licensee (which for the purpose of this condition will be referred to as a Notice of Remediation) to produce a Remediation Plan.

C1.45. A Notice of Remediation would be issued where the Authority considers the licensee needs to provide greater transparency and confidence on the actions and steps it is taking to ensure continued compliance with the obligations in this licence or to remedy any perceived performance concerns.

C1.46. A Notice of Remediation will specify:

~~(a)~~ The issue(s) that the Authority considers the licensee must seek to address;

~~(b)~~ The licence condition(s) relevant to the issue(s);

~~(c)~~ The information the licensee must provide within a Remediation Plan;

~~(d)~~ The timeframes for producing and submitting the Remediation Plan to the Authority; and

~~(e)~~ Any other requirements related to the Remediation Plan, including but not limited to any publication requirements.

C1.47. On receipt of a Notice of Remediation the licensee must produce a Remediation Plan which complies with the requirements set out in the Notice of Remediation.

Condition C2 Licensee's regard to Strategy and Policy Statement

Introduction

C2.1. The purpose of this condition is for the licensee to carry out its functions and act in accordance with obligations set out in respect of the Strategy and Policy Statement.

Part A: Strategy and Policy Statement

C2.2. The licensee must explain in its Business Plan how it plans to carry out its functions in a way that has regard to the strategic priorities set out in the Strategy and Policy Statement pursuant to section 165 of the Energy Act 2023.

C2.3. Where requested by the Authority, the licensee must demonstrate how it has had regard to the strategic priorities set out in the Strategy and Policy Statement in respect of a specific activity or function carried out, in such form and manner and at such times as requested by the Authority.

Condition C3 Digitalisation

Introduction

C3.1. The purpose of this condition is to set out the licensee's obligations to:

~~(a)~~ in Part A, have and update a Digitalisation Strategy;

~~(b)~~ in Part B, have and update a Digitalisation Action Plan;

~~(c)~~ in Part C, comply with the DSAP Guidance; and

~~(d)~~ in Part D, comply with Data Best Practice Guidance.

C3.2. This condition also sets out the process the Authority will follow when issuing and amending DSAP Guidance and Data Best Practice Guidance.

Part A: Requirements of the Digitalisation Strategy

C3.3. The licensee must have in place a Digitalisation Strategy.

C3.4. The licensee must review the progress it has made against its Digitalisation Strategy and update its Digitalisation Strategy at the intervals specified in the DSAP Guidance.

C3.5. The licensee must:

~~(a)~~ publish its Digitalisation Strategy, and updates to its Digitalisation Strategy, on the licensee's website where they are readily accessible to the public;

~~(b)~~ maintain an archive of all published versions of its Digitalisation Strategy on the licensee's website where they are readily accessible to the public; and

~~(c)~~ notify the Authority of any updates to the Digitalisation Strategy.

Part B: Requirements of the Digitalisation Action Plan

C3.6. The licensee must have in place its Digitalisation Action Plan.

C3.7. The licensee must review the progress it has made against its Digitalisation Action Plan and update its Digitalisation Action Plan at the intervals specified in the DSAP Guidance.

C3.8. The licensee must:

~~(a)~~ publish its Digitalisation Action Plan, and updates to its Digitalisation Action Plan, on the licensee's website where they are readily accessible to the public;

~~(b)~~ maintain an archive of all published versions of its Digitalisation Action Plan on the licensee's website where they are readily accessible to the public; and

~~(c)~~ notify the Authority of any updates to the Digitalisation Action Plan.

Part C: DSAP Guidance

C3.9. The licensee must comply with the DSAP Guidance when:

~~(a)~~ preparing and updating its Digitalisation Strategy; and

~~(b)~~ preparing and updating its Digitalisation Action Plan.

C3.10. The Authority will issue and amend the DSAP Guidance by direction.

C3.11. The Authority will publish the DSAP Guidance on the Authority's Website.

C3.12. The DSAP Guidance will make provision about:

~~(a)~~ how the licensee should work towards Digitalisation;

~~(b)~~ how the licensee should set out in its Digitalisation Strategy and Digitalisation Action Plan, how it intends to use Energy System Data to generate benefits for consumers and stakeholders, and the specific actions it will take to achieve that outcome;

~~(c)~~ the form and content of the Digitalisation Strategy and the Digitalisation Action Plan, including:

(i) their respective structure, content and level of detail;

(ii) the types of activities that should be covered in each; and

(iii) any required information associated with those activities; and

~~(d)~~ the engagement the licensee is required to undertake with stakeholders to help inform the development of its Digitalisation Strategy and its Digitalisation Action Plan.

Part D: Requirement to employ Data Best Practice

C3.13. The licensee must, when conducting work that involves working with or making decisions about the use of Energy System Data, use its best endeavours to act in accordance with Data Best Practice Guidance.

C3.14. The Authority will issue and amend Data Best Practice Guidance by direction.

C3.15. The Authority will publish Data Best Practice Guidance on the Authority's Website.

C3.16. The Data Best Practice Guidance may make provision as to how the Authority expects the licensee to comply with Data Best Practice to generate benefits for consumers and stakeholders, including ensuring services that involve Energy System Data are designed to meet the needs of consumers and those who directly use the services.

Part E: Process for issuing and amending guidance

C3.17. Before issuing new or amending the DSAP Guidance or Data Best Practice Guidance by direction, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed DSAP Guidance;

~~(b)~~ the date on which the Authority intends the proposed DSAP Guidance to come into effect;

~~(c)~~ the reasons for the new issue of, or amendments to, the DSAP Guidance; and

~~(d)~~ a period during which representations may be made on the content of the DSAP Guidance, which will not be less than 28 days.

Condition C4 Electricity System Restoration Standard

Introduction

C4.1. The purpose of this condition is to set out the licensee's obligations relating to the Electricity System Restoration Standard and the Electricity System Restoration Assurance Framework.

Part A: Electricity System Restoration Standard

C4.2. The licensee must comply at all times with the Electricity System Restoration Standard from 1 January 2027 onwards (including with any changes to the Electricity System Restoration Standard directed by the Secretary of State).

C4.3. The licensee must procure Restoration Services and propose any modifications to the Grid Code and other Industry Codes (where the licensee has the power to propose modifications) that are required to comply with the Electricity System Restoration Standard.

C4.4. The licensee must ensure that its procurement of Restoration Services and proposal of modifications to the Grid Code and other Industry Codes are completed in time to ensure that it has the ability to comply with the Electricity System Restoration Standard by 31 December 2026.

C4.5. The licensee will not have failed to comply with its obligations under paragraphs C4.2, C4.3 or C4.4 where, upon receiving a written and sufficiently detailed explanation from the licensee, the Authority is satisfied that the licensee has been prevented from complying with these obligations for reasons that are outside of its reasonable control.

Part B: Electricity System Restoration Assurance Framework

C4.6. The licensee must, by 31 March of each Regulatory Year, submit an Electricity System Restoration Assurance Framework to the Authority for approval.

C4.7. Prior to submission of the Electricity System Restoration Assurance Framework to the Authority, the licensee must consult the Authority and other Electricity Licensees for not less than 30 days on its proposed Electricity System Restoration Assurance Framework.

C4.8. The Electricity System Restoration Assurance Framework must include, but need not be limited to:

~~(a)~~ the strategy for the provision of Electricity System Restoration, which is to be applied for the next Regulatory Year, for the two Regulatory Years after that and for subsequent Regulatory Years. This must include:

(i) the licensee's approach to ensuring the necessary Restoration Services, tools, and obligations are in place for the licensee to comply with the Electricity System Restoration Standard;

(ii) a Restoration Approach to ensure that the Electricity System Restoration Standard is capable of being complied with at all times during a Regulatory Year; and

(iii) an explanation of how this strategy will impact Restoration Times;

~~(b)~~ a description of how the licensee will monitor its ability to comply with the Electricity System Restoration Standard at all times during a Regulatory Year;

~~(c)~~ ex-ante modelling of Restoration Times for the subsequent Regulatory Year using credible projections of the required National Electricity Transmission System data, as well as ex-post modelling of Restoration Times using actual National Electricity Transmission System data from the previous Regulatory Year;

~~(d)~~ sufficient details of the methodology, assumptions and data used by the licensee to reflect the capabilities of the National Electricity Transmission System during the subsequent Regulatory Year to allow other Electricity Licensees to assess and provide comment on how well the licensee is representing the capabilities of the National Electricity Transmission System within the Electricity System Restoration Model (this should include information on any improvements the licensee is making to the Electricity System Restoration Model, following the recommendations made by the independent auditor appointed in accordance with paragraph C4.9); and

~~(e)~~ information on the risks that may impact on Electricity System Restoration, an assessment of the impact and likelihood of risks, and an explanation of any mitigations the licensee has put in place to reduce either the likelihood or impact of risks.

C4.9. The submission of the Electricity System Restoration Assurance Framework must be accompanied by a report from an independent auditor of internationally recognised standing, appointed by the licensee. This report must provide an assessment of the licensee's Electricity System Restoration Model, which must include, but need not be limited to, an ex-ante assessment of how well that model's input data, technical assumptions, and calculations will represent the capabilities and characteristics of the National Electricity Transmission System during the subsequent Regulatory Year.

Part C: Authority approval of Electricity System Restoration Assurance Framework

C4.10. If, following a submission under paragraph C4.6, the Authority rejects the Electricity System Restoration Assurance Framework, the licensee must comply with a direction from the Authority to resubmit a revised Electricity System Restoration Assurance Framework to the Authority for approval, within a period specified in that direction.

C4.11. If the Authority approves the Electricity System Restoration Assurance Framework, the licensee must publish the Electricity System Restoration

Assurance Framework and the report by the independent auditor on its website as soon as is reasonably practicable following approval.

C4.12. Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph C4.11, it must seek the Authority's approval to publish a redacted version of the Electricity System Restoration Assurance Framework, or report by the independent auditor.

Part D: Revisions to the Electricity System Restoration Assurance Framework

C4.13. Before revising the approved Electricity System Restoration Assurance Framework, the licensee must submit the proposed revisions to the Authority for approval.

C4.14. Except where the Authority directs otherwise, before seeking any revision of the approved Electricity System Restoration Assurance Framework, the licensee must:

~~(a)~~ send a copy of the proposed revisions to the Authority;

~~(b)~~ consult other Electricity Licensees on the proposed revisions and allow them a period of not less than 30 days in which to make representations to the licensee;

~~(c)~~ submit to the Authority within 30 days of the close of the consultation period referred to in paragraph C4.14(b) a report setting out:

(i) the revisions originally proposed;

(ii) the representations (if any) made to the licensee; and

(iii) any changes to the revisions.

C4.15. Where the Authority directs that any part of paragraph C4.14 will not apply, the licensee must comply with such other requirements as are specified in that direction.

C4.16. Following receipt of a revision under paragraph C4.14(c), the Authority may direct the licensee to make the revision, where the Authority is satisfied that the revision is consistent with the licensee's obligations in the Electricity Act 1989 and the Energy Act 2023 and will provide value for money for electricity consumers in Great Britain.

C4.17. Unless the Authority issues a direction under paragraph C4.16 within a period of 60 days, beginning with the date of the submission made by the licensee under paragraph C4.14(c), the proposed revision will be treated as not being approved by the Authority.

C4.18. If the Authority directs any revision to be made under paragraph C4.16, the licensee must:

~~(a)~~ revise the approved Electricity System Restoration Assurance Framework in accordance with the Authority's direction; and

~~(b)~~ publish the revised Electricity System Restoration Assurance Framework on its website within a period of 7 days beginning with the date of receipt of a direction under paragraph C4.16.

C4.19. Where the licensee considers that there are legitimate reasons for not publishing certain information or data on its website in accordance with paragraph C4.18(b), it must seek the Authority's approval to publish a redacted version of the revised Electricity System Restoration Assurance Framework.

Condition C5 Limits on the level to which Transmission Services are provided

Introduction

C5.1. The purpose of this condition is to set out the licensee's obligation relating to the technical levels set out in the System Operator – Transmission Owner Code (STC).

Part A: Licensee's obligations

C5.2. In coordinating and directing the flow of electricity onto and over the National Electricity Transmission System, the licensee must, in accordance with the STC, ensure that any of the technical levels that apply to the provision to the licensee of any Transmission Services are not exceeded.

C5.3. The technical levels referred to in paragraph C5.2 are those set out in the STC.

Condition C6 Licensee's obligations regarding critical national infrastructure

Introduction

C6.1. The purpose of this condition is to ensure the licensee supports the identification of critical national infrastructure and reviews and applies methodologies following a request from the Secretary of State.

Part A: Reviewing critical national infrastructure

C6.2. Where the Secretary of State requests the licensee to review any methodology that aims to identify critical national infrastructure (as defined by the Secretary of State in such a request), the licensee must give a reasoned opinion and comment as to whether the application of the methodology would facilitate the identification of gas and electricity sites, systems and assets that are critical national infrastructure existing in:

~~(a)~~ the National Electricity Transmission System;

~~(b)~~ Distribution Systems;

~~(c)~~ the National Transmission System;

~~(d)~~ Distribution Networks;

~~(e)~~ Gas Interconnectors and Electricity Interconnectors;

~~(f)~~ Generation Sets; and

~~(g)~~ any other part of the whole energy system that the licensee considers would be appropriate to provide reasoned opinion and comment.

C6.3. The licensee must propose any revisions to any methodology provided under paragraph C6.2 that in the licensee's opinion will better facilitate the identification of sites, systems and assets that are critical national infrastructure by such date as the Secretary of State may request.

Part B: Critical national infrastructure assessments and application of methodologies

C6.4. The licensee must, when the Secretary of State requests, apply any methodology provided under paragraph C6.2 to identify gas and electricity sites and assets of critical national infrastructure across:

~~(a)~~ the National Electricity Transmission System;

~~(b)~~ Distribution Systems;

~~(c)~~ the National Transmission System;

~~(d)~~ Distribution Networks;

~~(e)~~ Gas Interconnectors and Electricity Interconnectors;

~~(f)~~ Generation Sets; and

~~(g)~~ any other part of the whole energy system that the licensee considers would be appropriate to include.

Condition C7 Energy resilience and resilience reporting

Introduction

C7.1. The purpose of this condition is to set out the licensee's obligations related to:

~~(a)~~ in Part A, energy risk and threat advice;

~~(b)~~ in Part B, post-event and post-emergency analysis;

~~(c)~~ in Part C, the licensee's Energy Resilience Assessment Report;

~~(d)~~ in Part D, the licensee's Emergency Processes Assessment;

~~(e)~~ in Part E, the licensee's Industry Readiness and Preparedness Report;

~~(f)~~ in Part F, the provision of reports and confidential information; and

~~(g)~~ Part G of this condition relates to derogations.

Part A: Energy risk and threat advice

C7.2. The licensee must provide to the Authority and Secretary of State information and analysis on any risk or threat that the licensee has identified, where such a risk or threat may, in the licensee's view, compromise or detrimentally impact the safety, security or resilience of any significant part of the whole energy system.

C7.3. The licensee must advise the Authority and the Secretary of State on any mitigations and remediations the licensee considers could be applied to:

~~(a)~~ improve whole energy system resilience; or

~~(b)~~ manage risks or threats identified in accordance with paragraph C7.2, including any advice on products, services and regulatory changes.

C7.4. The licensee must engage with the stakeholders which it determines to be relevant to the identification and/or mitigation of risks or threats in paragraphs C7.2 and C7.3 to the extent required.

Part B: Post-event and post-emergency analysis

C7.5. The licensee must, when requested by the Authority or the Secretary of State, provide post-event analysis and assessment in relation to an event or an emergency that has detrimentally impacted, or could have detrimentally impacted, the licensee, gas and electricity consumers, or any licensed party operating across the National Transmission System, the National Electricity Transmission System, Distribution Network, Distribution Systems, Gas Interconnectors, Electricity Interconnectors, Electricity Generators, and embedded generators.

C7.6. The licensee may also carry out and provide to the Authority or Secretary of State the analysis and assessments referred to in paragraph C7.5, in the absence of a request from the Authority or the Secretary of State, where the licensee considers this would be beneficial for the resilience of the energy system.

C7.7. The licensee must have regard to any views shared by the Authority on the situations in which a review under C7.6 would be appropriate, and it must notify the Authority and Secretary of State of any decision to undertake such a review.

C7.8. The licensee must engage with the stakeholders which it determines to be relevant to the analysis and assessment carried out under paragraphs C7.5 and C7.6 to the extent required.

Part C: Energy Resilience Assessment Report

C7.9. The licensee must provide an Energy Resilience Assessment Report to the Authority and to the Secretary of State by 30 June of each Regulatory Year.

C7.10. The licensee must ensure the Energy Resilience Assessment Report includes:

~~(a)~~ the licensee's view on emerging risks and threats:

(i) within 5 years;

(ii) in 5-10 years' time; and

(iii) beyond 10 years,

in relation to the National Electricity Transmission System, National Transmission System, Distribution Systems, Distribution Networks, Gas Interconnectors, Electricity Interconnectors, Electricity Generators and any other part of the whole energy system relating to electricity and/or gas that the Secretary of State may request;

~~(b)~~ an assessment by the licensee of the likelihood and potential impact of risks and threats identified by the licensee under paragraph C7.10 (a);

~~(c)~~ any advice on mitigations that the licensee views would limit and address the impact of risks and threats identified under paragraph C7.10 (a); and

~~(d)~~ updates on actions, recommendations and/or mitigations it has included within previous Energy Resilience Assessment reports.

C7.11. The licensee must engage with relevant gas and electricity stakeholders, Gas Transporters, Distribution Networks, Transmission Owners, Licensed Distributors, Gas Interconnectors, Electricity Interconnectors, Electricity Generators and the Secretary of State when producing the Energy Resilience Assessment Report.

Part D: Emergency Processes Assessment

C7.12. The licensee must provide its Emergency Processes Assessment, and any accompanying information and analysis that the licensee considers it appropriate to provide, to the Authority, the Secretary of State and such other parties the licensee considers materially affected by the issues contained in the Emergency Processes Assessment by 1 December of each Regulatory Year.

C7.13. The licensee must ensure its Emergency Processes Assessment outlines:

~~(a)~~ the licensee's assessment of scenarios and view on best practice for emergency processes and preparedness;

~~(b)~~ any of the licensee's recommended improvements and learnings, including on the prevention of emergencies; and

~~(c)~~ updates on actions, recommendations and/or mitigations it has included within previous Emergency Processes Assessments.

across the gas and electricity networks covering the National Transmission System, the National Electricity Transmission System, Distribution Networks, Distribution Systems, Gas Interconnectors, Electricity Interconnectors, Electricity Generators and any other part of the whole energy system relating to electricity and/or gas that the Secretary of State may request.

C7.14. The licensee must engage with the Authority and the Secretary of State prior to determining the scenarios within the Emergency Processes Assessment to understand and consider the Authority and Secretary of State's views on the appropriate scenarios.

C7.15. The licensee must engage with relevant gas and electricity stakeholders, including Gas Transporters, Distribution Networks, Transmission Owners, Licensed Distributors, Electricity Generators, Gas Interconnectors, Electricity Interconnectors, the Secretary of State and such other parties that the licensee considers materially affected by the issues in paragraphs C7.13 (a) and C7.13 (b) when producing the Emergency Processes Assessment.

Part E: Industry Readiness and Preparedness Report

C7.16. The licensee, in respect of the following winter and summer seasons respectively, must provide its Industry Readiness and Preparedness Report to the Authority, Secretary of State and such other parties the licensee considers materially affected by the issues contained in the Industry Readiness and Preparedness Report by 31 October and 30 April of each Regulatory Year.

C7.17. The licensee must ensure its Industry Readiness and Preparedness Report outlines its assessment of the preparedness and seasonal readiness for incidents and emergencies occurring on (and including assessing persons that operate or are connected to):

~~(a)~~ the National Electricity Transmission System;

~~(b)~~ Distribution Systems;

~~(c)~~ the National Transmission System;

~~(d)~~ Gas Interconnectors and Electricity Interconnectors;

~~(e)~~ Distribution Networks;

~~(f)~~ Electricity Generators; and

~~(g)~~ any other part of the whole energy system relating to electricity and/or gas that the Secretary of State may request,

in respect of the winter and summer seasons that follow the dates the licensee provides its Industry Readiness and Preparedness Report under paragraph C7.14.

Part F: Provision of reports and confidential information

C7.18. Where the licensee provides the reports and assessments under Parts A, B, C, D and E to the Authority, the Secretary of State and to materially affected parties, the licensee must have due regard to the confidential data and confidential information contained in the reports and assessments, and must seek to ensure that such data or information is not inappropriately disclosed to materially affected parties.

C7.19. The licensee must seek the Authority's approval, prior to sharing, to provide appropriately redacted versions of the reports and assessments under Parts A, B, C, D and E to materially affected parties.

Part G: Derogations

C7.20. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such extent, and subject to such conditions, as may be specified by the Authority by direction.

Condition C8 Electricity Market Reform (EMR) arrangements

Introduction

C8.1. The purpose of this condition is to set out the Weather Correction Methodology relating to the EMR arrangements.

Part A: Weather Correction Methodology

C8.2. The licensee must prepare and publish the Weather Correction Methodology used for calculating the Peak National Demand.

C8.3. The Weather Correction Methodology to be used for calculating the Peak National Demand must be the Weather Correction Methodology in place at the time each Peak National Demand Forecast was produced.

C8.4. The Weather Correction Methodology must be published by the licensee at the same time as the Electricity Capacity Report that uses the corresponding Peak National Demand Forecast.

C8.5. The licensee must:

~~(a)~~ write annually to the Authority, at the time of publishing the Electricity Capacity Report, setting out the steps it has taken to improve its Peak System Demand Forecast; and

~~(b)~~ publish the letter on its website as soon as reasonably practicable.

Condition C9 Design, procurement and use of Balancing Services

Introduction

C9.1 The purpose of this condition is to set out requirements in relation to the procurement of Balancing Services. This includes specific requirements related to:

~~(a)~~ In Part A, the processes for establishing Balancing Services;

~~(b)~~ In Part B, the publication of Balancing Services data;

~~(c)~~ In Part C, the publication of an annual report on Balancing Services costs;

~~(d)~~ In Parts D to E, the publication of specific statements setting out how the licensee procures Balancing Services;

~~(e)~~ In parts F to H, maintaining, complying with and publishing methodologies associated with the calculation of Imbalance Prices under the BSC;

~~(f)~~ In Part I, the process for amending the documents in Parts D to H;

~~(g)~~ In Part J, maintaining records of Balancing Services.

Part A: Processes for Balancing Services design

C9.2. The licensee must, in consultation with relevant and impacted energy system stakeholders, establish specifications for Balancing Services and technical requirements for participation in Balancing Services which are compatible with the licensee's obligations under Part C of condition C1 (general principles and minimum standards).

C9.3. The consultation requirement in paragraph C9.2 also applies where the licensee seeks to amend the product design, specifications or technical requirements for any existing Balancing Services.

C9.4. Following consultation undertaken in paragraphs C9.2 or C9.3 with respect to non-frequency Balancing Services, the licensee must provide the Authority with:

~~(a)~~ the Balancing Services specifications it intends to establish;

~~(b)~~ evidence of consultation carried out; and

~~(c)~~ a summary of the views from all parties and an explanation of how these were considered.

C9.5. Following the receipt of the information in paragraph C9.4, where the Authority considers that changes are necessary to promote alignment with the requirements under Part C of condition C1 or the interests of consumers, the Authority may direct the licensee to reconsult with relevant parties on the specifications.

C9.6. The Authority may, at its own discretion, or on application by the licensee, grant a derogation from the licensee's obligation to procure non-frequency Balancing Services using market-based procedures (as required under Part C of condition

C1 (general principles and minimum standards) where the Authority has determined that compliance with the market-based provision is economically not efficient.

C9.7. Nothing in this condition replaces, overrides, or limits any statutory duty or duty under Assimilated Law imposed on the licensee.

Part B: Balancing Services data publication

C9.8. The licence must publish within reasonable timelines:

~~(a)~~ total costs and volumes of each Balancing Service represented in a consistent form across an appropriate time segmentation; and

~~(b)~~ price, payment structure, volumes, capacity, technology type, length and end dates for all contracts held with Balancing Service providers for each Balancing Service, where appropriate and justified in an anonymised or aggregated format.

Part C: Balancing Services Annual Report

C9.9. At the end of each Regulatory Year, the licensee must prepare a Balancing Services Annual Report in respect of the Total Costs the licensee has incurred in that Regulatory Year in relation to Balancing Services.

C9.10. Within 3 months of the end of each Regulatory Year, the licensee must submit the Balancing Services Annual Report to the Authority and publish the Balancing Services Annual Report on its website as soon as is reasonably practicable.

C9.11. The Balancing Services Annual Report must give particulars of:

~~(a)~~ the Total Costs incurred for that Regulatory Year, and how the Total Costs have been calculated in respect of the Balancing Services which the licensee has bought or acquired (other than Balancing Services which the licensee has acquired through the mere acceptance of an offer or bid in the Balancing Mechanism, provided such offer or bid was not made pursuant to any prior agreement);

~~(b)~~ how the Total Costs have been incurred in accordance with the Procurement Guidelines statement and the Balancing Principles statement; and

~~(c)~~ any other analysis or information which the licensee considers to be required to enable the Authority to fully assess the particulars to which the report relates.

C9.12. The Balancing Services Annual Report must be accompanied by a statement from an independent auditor of internationally recognised standing appointed by the licensee:

~~(a)~~ confirming that the report is accurate; and

~~(b)~~ detailing the auditor's independent assessment of the extent to which the licensee has complied with the versions of the Procurement Guidelines statements and Balancing Principles statements that were in place during the relevant Regulatory Year.

C9.13. The licensee must publish alongside the Balancing Services Annual Report, an executive summary (written by the independent auditor) of the key findings and recommendations from the statement prepared in accordance with C9.12.

C9.14. Where the licensee considers that there are legitimate reasons for not publishing certain information or data as part of the Balancing Services Annual Report or the auditor's executive summary in paragraph C9.13, it must seek the Authority's approval to publish a redacted version.

Part D: Procurement Guidelines Statement

C9.15. The licensee must have in place a published Procurement Guidelines Statement setting out all the Balancing Services which it expects to procure and the mechanisms it has established or intends to establish for purchasing them.

C9.16. The licensee must maintain, review and update the Procurement Guidelines Statement in accordance with the governance arrangements in Part I of this condition.

Part E: Balancing Principles Statement

C9.17. The licensee must have in place a published Balancing Principles Statement setting out the principles and criteria by which the licensee will determine, at different times and in different circumstances, which Balancing Services the licensee will use to assist in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System and when the licensee would resort to measures not involving the use of Balancing Services.

C9.18. The Balancing Principles Statement must:

~~(a)~~ be consistent with the licensee's duties under legislation and specifically should set out how the licensee considers the principles and criteria identified in that statement are consistent with its duties under sections 163 and 164 of the Energy Act 2023;

~~(b)~~ be consistent with the licensee's obligation under paragraphs C1.12 and C1.18 of condition C1 (general principles and minimum standards); and

~~(c)~~ evidence how the licensee's Balancing Services procurement aligns with its obligation under paragraph C1.7 of condition C1 (general principles and minimum standards).

C9.19. The licensee must maintain, review and update the Balancing Principles Statement in accordance with the governance arrangements in Part I of this condition.

Part F: Balancing Services Adjustment Data Methodology

C9.20. Part F of this condition applies where the BSC provides that any Imbalance Price is to be determined (in whole or in part) by reference to the costs and volumes of Relevant Balancing Services.

C9.21. Where this Part F applies, the licensee must:

~~(a)~~ have in place a Balancing Services Adjustment Data Methodology;

~~(b)~~ from time to time thereafter, when the licensee first buys, sells or acquires any Relevant Balancing Services of a kind or under a mechanism which is not covered by the prevailing Balancing Services Adjustment Data Methodology, promptly seek to establish a revised Balancing Services Adjustment Data Methodology which covers that kind of Balancing Services or mechanisms for buying, selling or acquiring them;

~~(c)~~ publish the Balancing Services Adjustment Methodology, and maintain, review and update this document in accordance with the governance arrangements in Part I of this condition; and

~~(d)~~ at all times determine and provide (for use under the relevant provisions of the BSC) the costs and volumes of the Relevant Balancing Services in compliance with the prevailing Balancing Services Adjustment Data Methodology, which are to be taken into account in determining Imbalance Price under the BSC.

Part G: System Management Action Flagging Methodology

C9.22. Part G of this condition applies to the extent that the BSC provides that the licensee is required to identify Balancing Services which relate to System Management.

C9.23. Where Part G applies, the licensee must:

~~(a)~~ have in place a System Management Action Flagging Methodology;

~~(b)~~ publish the System Management Action Flagging Methodology, and maintain, review and update this document in accordance with the governance arrangements in Part I of this condition; and

~~(c)~~ at all times thereafter use its reasonable endeavours to identify the Balancing Services which the BSC requires it to identify as relating to System Management in accordance with the prevailing System Management Action Flagging Methodology and provide records (for use under the relevant provisions of the BSC) of those Balancing Services which the BSC requires must be taken into account in determining Imbalance Price.

Part H: Applicable Balancing Services Volume Data Methodology

C9.24. Part F of this condition applies where the BSC provides that any Applicable Balancing Services Volume Data is to be determined (in whole or in part) by

reference to the volumes of energy associated with the provision of Applicable Balancing Services.

C9.25. Where Part F applies the licensee must:

~~(a)~~ have in place an Applicable Balancing Services Volume Data Methodology;

~~(b)~~ publish the Applicable Balancing Services Volume Data Methodology, and maintain, review and update this document in accordance with the governance arrangements in Part I of this condition; and

~~(c)~~ at all times determine and provide (for use under the relevant provisions of the BSC) the volumes of Applicable Balancing Services in compliance with the prevailing Applicable Balancing Services Volume Data Methodology, which are to be taken into account in determining Applicable Balancing Services Volume Data under the BSC.

Part I: Governance of Balancing Services documents

C9.26. The licensee must keep all documents specified in Parts D-H under review and promptly update those documents whenever a change is needed to more accurately reflect the intentions of, and methodologies used by, the licensee.

C9.27. Whenever the licensee seeks to establish a new or updated version of the documents specified in Parts D-H, it must:

~~(a)~~ Conduct a public consultation with stakeholders, for a period of no less than 28 days, on the changes the licensee proposes to make to the document(s);

~~(b)~~ notify the Authority of the proposed changes to enable the Authority to share any views; and

~~(c)~~ where the Authority directs that either one or both of paragraphs C9.27(a) and C9.27(b) must not apply, comply with such other requirements as are specified in the direction.

C9.28. Following any consultation referred to in paragraph C9.27(a) the licensee must consider all representations made by stakeholders and the Authority and publish final versions of the document(s) on its website within one month of the end of the consultation period.

C9.29. Alongside the publication of the updated documents in paragraph C9.28, the licensee must provide a summary of the views from all parties and an explanation of how these were considered.

C9.30. Where, for a period of 12 months, the licensee has not issued a consultation under paragraph C9.27(a) seeking to establish a new or updated version of the statements specified in Parts D and E, specifically, the licensee must seek feedback from stakeholders to determine whether any changes may be required to ensure the licensees' approach to procuring Balancing Services is sufficiently transparent.

C9.31. The Authority may, where it considers it necessary, direct the licensee to review or change one or more of the statements in Parts D-H in the manner and timeframes specified in the relevant direction letter.

Part J: Information records and requests

C9.32. The licensee must, unless the Authority otherwise consents, maintain for a period of 6 years:

~~(a)~~ particulars of all Balancing Services offered to it;

~~(b)~~ particulars of all contracts (other than those in the Balancing Mechanism) for Balancing Services which it entered into;

~~(c)~~ particulars of all contracts for Balancing Services entered into by way of the acceptance of a bid or offer in the Balancing Mechanism where the bid or offer was made pursuant to a prior agreement;

~~(d)~~ records of all Balancing Services called for and provided; and

~~(e)~~ records of quantities of electricity imported and exported across each Electricity Interconnector.

C9.33. The licensee must provide to the Authority such information as the Authority shall request concerning the procurement and use of Balancing Services.

Condition C10 Network Access Policy (NAP)

Introduction

C10.1. The purpose of this condition is to set out the requirements upon the licensee to facilitate the development of, and to act consistently with, the Transmission Owners' NAP.

C10.2. Nothing in this condition replaces, overrides or limits:

~~(a)~~ any statutory duty imposed on the licensee;

~~(b)~~ any other obligation of the licensee under the licence or any code, particularly in relation to the licensee's compliance with condition E4 (System Operator – Transmission Owner Code) and condition E7 (Transmission system security standard and quality of service); or

~~(c)~~ the STC.

Part A: Part A: Licensee's obligations in relation to the NAP

C10.3. The licensee must incorporate the Transmission Owners' NAP, as approved by the Authority under special condition 9.10 (Network Access Policy) of the Transmission Licence, into its planning and operations within its licensed activities; and it must act consistently with the NAP, subject to the need to ensure the safe and secure operation of all or any part of the National Electricity Transmission System.

C10.4. The licensee must use reasonable endeavours to assist Transmission Owners in discharging their obligations to meet the essential requirements of the NAP.

C10.5. The licensee must use reasonable endeavours to assist Transmission Owners in amending the NAP.

Condition C11 Requirements of a Connect and Manage Connection

Introduction

C11.1. The purpose of this condition is to set out the requirements on the licensee on receipt of a Connect and Manage Application and in making a Connect and Manage Offer.

Part A: Connect and Manage Application and Connect and Manage Offer

C11.2. On receipt of a Connect and Manage Application from a Connect and Manage Applicant, the licensee must comply with condition E12 (Requirement to offer terms) and in so doing must also comply with the requirements of this condition.

C11.3. In making a Connect and Manage Offer to a Connect and Manage Applicant in accordance with E12.3 the licensee must:

~~(a)~~ provide that the Connection Date shall be on completion of the Enabling Works identified by it or in accordance with any Associated TO Offer;

~~(b)~~ determine by reference to the Connect and Manage Derogation Criteria and the relevant Connect and Manage Derogation Report whether:

(i) a Connect and Manage Derogation is appropriate; or

(ii) a dispute should be raised under the STC in respect of the Connect and Manage Derogation Report;

~~(c)~~ ensure that any Use of System Charges to be imposed on a Connect and Manage Applicant in accordance with condition E10 (Use of system charging and methodology) shall not be payable until the Connection Date and must be levied, as applicable, in accordance with paragraph C11.7;

C11.4. The licensee must publish the relevant Connect and Manage Derogation Report within 2 months of the date on which the Connect and Manage Applicant accepts the Connect and Manage Offer and must provide a copy of each such report to the Authority.

C11.5. The licensee must use its best endeavours to facilitate the Enabling Works identified as required in relation to a Connect and Manage Application in a timescale which allows for a Connect and Manage Connection consistent with the Connect and Manage Applicant's reasonable expectations as to the Connection Date.

C11.6. The licensee must use its best endeavours to facilitate the Wider Works identified as required 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 will cease to have effect.

C11.7. The licensee must use its best endeavours to ensure that in its application of the Use of System Charging Methodology in accordance with condition E10, Use of System Charges resulting from Transmission

Constraint Costs are treated by the licensee such that the effect of their recovery is shared on an equal per MWh basis by all parties liable for Use of System Charges.

C11.8. The licensee must use its best 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 a Connect and Manage Connection.

C11.9. The licensee must automatically make an offer to vary the Construction Agreement or the offer of Connect and Manage Transferees from their existing terms so that the relevant Construction Agreement or offer is consistent with the terms of a Connect and Manage Offer, as soon as reasonably practicable from the Connect and Manage Implementation Date and in any event by the end of the Connect and Manage Transition Period. The terms of such offers to vary the Construction Agreement or offer shall be no less advantageous to the Connect and Manage Transferee than those contained in the existing offer the licensee has made or agreement the licensee has entered into with the Connect and Manage Transferee.

Part B: Provision of information to the Authority

C11.10. The licensee must furnish to the Authority in such manner and at such times as the Authority may reasonably require such information and must procure and furnish to it such reports as the Authority may reasonably require or as may be necessary for the purpose of monitoring the impact and effectiveness of Connect and Manage Connections.

C11.11. This condition does not require the licensee to produce any information which may reasonably be requested from the licensee by the Authority under condition D3 (Provision of information to the Authority).

Condition C12 Production of information about the National Electricity Transmission System

Introduction

C12.1. The purpose of this condition is to:

~~(a)~~ in Part A, set out the licensee's obligations related to the Electricity Ten Year Statement (ETYS);

~~(b)~~ in Part B, set out the procedures for revision of the ETYS; and

~~(c)~~ in Part C, set out the procedure for a derogation of obligations under this condition.

Part A: Electricity Ten Year Statement

C12.2. In each Financial Year, the licensee must by 31 January use reasonable endeavours to prepare and publish the ETYS, which is a statement of network development information.

C12.3. The ETYS must set out in respect of the current Financial Year and each of the 9 succeeding Financial Years: circuit capacity, forecast power flows and loading on each part of the National Electricity Transmission System and fault levels for each transmission node, together with:

~~(a)~~ such further information as is reasonably necessary to enable any person seeking use of the National Electricity Transmission System to identify and evaluate the opportunities available when connecting to and making use of the National Electricity Transmission System;

~~(b)~~ a commentary prepared by the licensee indicating those parts of the National Electricity Transmission System most suited to new connections and transport of further quantities of electricity;

~~(c)~~ a commentary prepared by the licensee indicating where Major National Electricity Transmission System Reinforcements are likely to be required;

~~(d)~~ such further information as may be necessary for: Authorised Electricity Operators, Interconnected System Operators, or any other Transmission System Operator or Distribution System Operator with whose system a Transmission Licensee's Transmission System is connected or with whom the licensee interfaces, to ensure the secure and efficient operation, coordination, development and interoperability of the interconnected system;

~~(e)~~ commentary prepared by the licensee indicating how the ETYS is informed by and aligns with the Future Energy Pathways prepared in accordance with condition C15 (Future Energy Pathways); and

~~(f)~~ such other matters as may be specified in directions issued by the Authority from time to time for the purposes of this condition.

C12.4. The licensee must prepare the ETYS in such a form and manner as is necessary to further the Development Information Objectives as set out in paragraph C12.5.

C12.5. In preparing the ETYS, the licensee must use the Future Energy Pathways developed in accordance with condition C15, in a manner that meets the Development Information Objectives. The Development Information Objectives are:

~~(a)~~ the licensee's best view of the design and technical characteristics of the development of the National Electricity Transmission System, considering:

(i) the development of the National Electricity Transmission System;

(ii) the probable capacity, location and timing of the development of onshore and offshore generating stations and Electricity Interconnectors;

(iii) the likely location of feasible connection points for new Offshore Transmission Systems to the National Electricity Transmission System;

(iv) to the extent that information is available to the licensee, possible routing options for new transmission circuits that might be used to connect generating stations and Electricity Interconnectors in Offshore Waters to the National Electricity Transmission System;

~~(b)~~ the licensee's best view of the potential reinforcements to the National Electricity Transmission System that may be required to connect onshore and offshore generating stations and Electricity Interconnectors;

~~(c)~~ the licensee's best estimates of the costs associated with connecting onshore and offshore generating stations and Electricity Interconnectors;

~~(d)~~ the licensee's best view of other economic and technical factors, to help planning of onshore and offshore generating stations and Electricity Interconnectors; and

~~(e)~~ the licensee's best view of the capacity, location and timing of the connection of new Electricity Interconnectors that would facilitate an efficient, economical and coordinated system of electricity. This should take into account the impact on GB wholesale prices, the provision of Ancillary Services, constraint management and other operational considerations.

C12.6. The licensee must include in every ETYS prepared in accordance with paragraphs C12.2 and C12.3 the information required by those paragraphs except that the licensee may omit from the ETYS any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the licensee, seriously and prejudicially affect the commercial interests of any Transmission Licensee or any third party.

Part B: Revision of the ETYS

C12.7. The licensee must at least once in each Financial Year before publication of the ETYS as set out in paragraph C12.2 and in consultation with ETYS Interested Parties, review the most recent ETYS prepared and published in accordance with paragraphs C12.2 and C12.3.

C12.8. Following a review of the ETYS pursuant to paragraph C12.7, the licensee must determine any suggested revisions to the ETYS that it considers would better achieve the Development Information Objectives.

C12.9. The licensee must periodically revise (at least once every 6 months) the information set out in the ETYS prepared in accordance with paragraphs C12.2 and C12.3 to ensure that the information set out in the ETYS remains accurate in all material respects.

C12.10. The licensee must by 1 June in each Financial Year (or by another date as directed by the Authority), notify the Authority of any proposed revisions to the ETYS it intends to make and publish in accordance with paragraph C12.2. Alongside this notification the licensee should include:

~~(a)~~ a summary of any responses that it has received to any consultation undertaken in accordance with paragraph C12.7; and

~~(b)~~ an explanation of how the revisions to the ETYS will better achieve the Development Information Objectives.

C12.11. The Authority may, where it considers it necessary, direct the licensee to review or change the proposed ETYS in the manner and timeframes specified in the relevant direction letter.

C12.12. The licensee must publish the ETYS on its website in such readily accessible form and manner that it considers will facilitate the Development Information Objectives.

Part C: Derogations

C12.13. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition C13 The Network Options Assessment (NOA) process and reporting requirements

Introduction

C13.1. The purpose of this condition is to set out the licensee's role in assessing options for the development of the National Electricity Transmission System (including Offshore Wider Works) and Interconnector capacity, including setting out:

~~(a)~~ in Part A, the methodology underpinning the NOA Process, along with how this will be approved;

~~(b)~~ in Part B, the requirements for the publication of the annual NOA report;

~~(c)~~ in Part C, the licensee's obligations regarding the provision of information underpinning the NOA Process;

~~(d)~~ in Part D, the role the licensee will play in the early development of options and the circumstances in which the licensee will be required to do so; and

~~(e)~~ in Part E, the process for derogations from obligations under this licence condition.

Part A: The NOA methodology and form of the NOA report

C13.2. The licensee must take such steps as are within its power, and it considers may be necessary to enable the NOA Process. In carrying out the NOA Process, the licensee must act in a manner that best ensures transparency and independence.

C13.3. The licensee must, not less than once in each Financial Year (and at such other times as the Authority may direct), develop proposals for the NOA methodology and the form of the NOA report in consultation with interested parties. The consultation must be of such a form and duration as practicable to reasonably allow all interested parties to contribute.

C13.4. Following any consultation in accordance with paragraph C13.3, the licensee must, by 1 August of each Financial Year, or at such other date as directed by the Authority, submit to the Authority for approval the proposed NOA methodology.

C13.5. Submissions made under paragraph C13.4 must include:

~~(a)~~ a detailed explanation of the consultation process undertaken in the development of the NOA methodology;

~~(b)~~ a summary of views from interested parties and an explanation of how these were taken into account in the development of the NOA methodology; and

~~(c)~~ copies of any formal responses submitted to the licensee as part of its consultation process.

C13.6. The Authority will on receipt of a submission under paragraph C13.4:

~~(a)~~ approve the proposed NOA methodology; or

~~(b)~~ give a direction to the licensee that the NOA methodology requires further development, and the date by which the licensee is required to submit a revised NOA methodology to the Authority for approval.

C13.7. The NOA methodology must be designed to facilitate the effective development of the National Electricity Transmission System, and must include (but need not be limited to):

~~(a)~~ the approach used for determining what constitutes Major National Electricity Transmission System Reinforcements;

~~(b)~~ the approach (which must be in accordance with paragraph C13.8) used for identifying and assessing options to meet system needs;

~~(c)~~ how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the NOA methodology; and

~~(d)~~ details of the licensee's proposed timetable for updating and consulting on the methodology for the NOA reports.

C13.8. The approach included in the methodology in accordance with paragraph C13.7(b) must include (but need not be limited to):

~~(a)~~ the approach used to assess the technical, economic and environmental impacts and risks;

~~(b)~~ the approach used for modelling boundary capacity, Offshore Transmission capacity and Interconnector capacity along with assumptions and assessment criteria used;

~~(c)~~ the basis for the cost estimate provided for each option.

Part B: The NOA report

C13.9. The licensee must at least once in each Financial Year:

~~(a)~~ review the NOA report prepared and published in the previous Financial Year and consider any improvements to better facilitate the effective development of the National Electricity Transmission System; and

~~(b)~~ publish an updated NOA report by 31 March or such other date as directed by the Authority. This must be based on and include the latest NOA methodology approved by the Authority in accordance with paragraph C13.6.

C13.10. If, following a submission of the methodology by the date set out in paragraph C13.4, the Authority has not approved or directed further development of the NOA methodology in accordance with paragraph C13.6 by 1 October, the publication date set out in paragraph C13.9(b) will be treated as

C13.11. amended accordingly. The amendment will equal the number of days between 1 October and receipt of the Authority's approval or direction.

C13.12. The licensee must publish the NOA report on its website in such readily accessible form and manner that it considers will facilitate effective development of the National Electricity Transmission System.

C13.13. In complying with the requirements of paragraph C13.11, the licensee must have due regard to the need for excluding from the NOA report any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any omission of information from the NOA report.

C13.14. Each NOA report must be produced using the latest available data and in accordance with the methodology established in accordance with Part A, and must, in respect of the Financial Year in which the report is published and each of the 9 succeeding Financial Years:

~~(a)~~ set out the licensee's best view of the options for Major National Electricity Transmission System Reinforcements and additional Interconnector capacity that could meet the needs identified in the ETYS and facilitate the effective development of the National Electricity Transmission System, including (but not limited to) any:

(i) options for Non Developer-Associated Offshore Wider Works;

(ii) options that involve construction of new transmission capacity;

(iii) options that do not involve, or involve minimal, construction of new transmission capacity;

(iv) options based on commercial arrangements with users to provide Transmission Services and Balancing Services;

(v) options that require liaison with a Licensed Distributor on Distribution System solutions;

(vi) options recommended previously by the licensee to proceed but which have not been progressed by the Transmission Licensee to which the recommendation was given;

(vii) options that cross the boundaries of two or more Transmission Licensee's Transmission Areas; and

(viii) options suggested by other interested persons.

~~(b)~~ set out, in accordance with paragraph C13.14, the licensee's best view of the relative suitability of each option or combination of options set out in accordance with paragraph C13.13(a), for facilitating the development of an efficient, co-ordinated and economical the National Electricity Transmission System.

~~(c)~~ set out the licensee's recommendations on which, if any, of the options set out in accordance with paragraph C13.13(a) should be developed further to facilitate the development of an efficient, co-ordinated and economical the National Electricity Transmission System.

~~(d)~~ set out the licensee's best view of which, if any, of the options recommended in accordance with paragraph C13.13(c) comprise assets some or all of which satisfy the criteria in the Criteria Regulations;

~~(e)~~ set out the licensee's best view of which, if any, connections (or modifications to existing connections) which arise from applications made for the purposes of condition E12 (Requirement to offer terms), comprise a Network Need (Regulation 4 of the Criteria Regulations) for Wholly New assets (Regulation 5 of the Criteria Regulations), which are separable (Regulation 6 of the Criteria Regulations), and where such applications are:

(i) of sufficiently high value (Regulation 8 of the Criteria Regulations), when proposing a Late-Model Tender Exercise, or;

(ii) demonstrated to be of consumer benefit (Regulation 7 of the Criteria Regulations) using an analysis agreed with the Authority, when proposing an Early-Model Tender Exercise;

~~(f)~~ have regard to interactions with existing agreements with parties in respect of developing the National Electricity Transmission System and changes in system requirements.

C13.15. The licensee's best view, set out in accordance with paragraph C13.13(b), must include (but need not be limited to) the licensee's assessment of the impact of different options on the National Electricity Transmission System and the licensee's ability to coordinate and direct the flow of electricity onto and over the National Electricity Transmission System.

Part C: Provision of information

C13.16. Based on the NOA methodology set out in Part A, the licensee must provide Transmission Licensees and Interconnector Developers, if requested to do so, with:

~~(a)~~ information and analysis to support them in their decision-making and development of options to meet system needs as identified in the ETYS. This must include information on the potential for coordination between parties where the licensee's analysis suggests coordination could facilitate the effective development of the National Electricity Transmission System. The licensee must provide this information and analysis in such form and within such timescales as Transmission Licensees and Interconnector Developers may reasonably request and which is necessary to support these parties' decision making and development of options;

~~(b)~~ its assessment of the options that a party is considering for Major National Electricity Transmission System Reinforcements and Electricity Interconnectors, as well as its assessment of any alternative options being considered by other parties. The licensee must provide the assessment in such form and within such timescales as Transmission Licensees and Interconnector Developers may reasonably request, and which is necessary to support these parties' decision making; and

~~(c)~~ updated information and analysis to support submissions to the Authority in such form and within such timescales as Transmission Licensees and Interconnector Developers may reasonably request, and which is necessary to support these parties' submissions to the Authority.

C13.17. In complying with the requirements of paragraph C13.15, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.

C13.18. Based on the NOA methodology set out in Part A, the licensee must if requested submit to the Authority the information it has provided to parties under paragraph C13.15. This must include, but need not be limited to, information to support a needs case for a strategic Wider Works output, a Needs Case for Developer-Associated Offshore Wider Works and any Interconnector Developers submission to the Authority. The licensee must also submit any additional information requested by the Authority. The licensee's submissions must be made in timescales consistent with related submissions from other parties to the Authority, and as directed by the Authority.

C13.19. In relation to Electricity Interconnectors, based on the NOA methodology set out in Part A, the licensee must submit to the Authority, within the timescales directed by the Authority, information on:

~~(a)~~ the efficiency of the connection choices made by Interconnector Developers, based on the licensee's involvement in assessing different options, including the costs of any necessary reinforcements required to connect Electricity Interconnectors to the National Electricity Transmission System;

~~(b)~~ the licensee's assessment of the impact of new Electricity Interconnectors on system operation. This should include costs and benefits relating to provision of security of supply including Ancillary Services, constraint management and other operational factors, which may accrue to the licensee and to consumers; and

~~(c)~~ the licensee's assessment of changes in wholesale prices as a result of Interconnector flows and the impact of these changes on GB consumers, generators and Electricity Interconnectors.

C13.20. The Authority may direct the licensee to submit information to the Authority, additional to the information provided by the licensee to the Authority, in accordance with paragraphs C13.17 and C13.18, within such timeframe as the Authority may require.

Part D: Early development of options

C13.21. The licensee must undertake early development (in accordance with paragraph C13.21(b)) of any option which it intends to set out in accordance with paragraph C13.13(a) where early development is not carried out by a Transmission Licensee. Without prejudice to the generality of the first sentence of this paragraph, examples of the types of option for which the licensee may need to undertake early development include:

~~(a)~~ those set out in paragraphs C13.13(a)(i) to C13.13(a)(viii), or

~~(b)~~ those set out in paragraphs C13.13(d) to C13.13(e).

C13.22. For the purposes of paragraph C13.20:

~~(a)~~ early development may be limited to desktop works; and

~~(b)~~ early development must be undertaken in a manner which:

(i) enables the licensee to adequately compare, in accordance with paragraph C13.13(b), the options that it sets out in accordance with paragraph C13.13(a);

(ii) is consistent with the NOA methodology set out by the licensee in accordance with Part A; and

(iii) is transparent.

~~(c)~~ early development must be confined to desktop works only for those applications which satisfy the Criteria Regulations set out in paragraphs C13.13(d) to C13.13(e), when proposing an Early-Model Tender Exercise pursuant to paragraph C13.13(e)(ii).

Part E: Derogations

C13.23. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition C14 Electricity Network Innovation Strategy

Introduction

C14.1. The purpose of this condition is to oblige the licensee to work with other parties to develop an Electricity Network Innovation Strategy.

C14.2. 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

C14.3. 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.

C14.4. 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 2 years and where necessary, in the majority view of the Relevant Network Licensees, is updated.

Part B: Electricity Network Innovation Strategy

C14.5. The Electricity Network Innovation Strategy must:

~~(a)~~ set out the procedures for updating the Electricity Network Innovation Strategy, which must include the requirement to consult with Network Innovation Interested Parties in accordance with Part C and the biennial review referred to in paragraph C14.4;

~~(b)~~ be updated in accordance with the procedures referred to in paragraph C14.5(a); and

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

C14.6. 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, that 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 Network Innovation 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 C14.6(a), with particular regard to how future Innovation Projects that the Relevant Network Licensees will seek to initiate over the

period of the Electricity Network Innovation 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 challenges identified in paragraph C14.6(b), with particular regard to how future Innovation Projects that the Relevant Network Licensees will seek to initiate over the period of the Electricity Network Innovation Strategy will help to address those challenges. 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 challenge identified in paragraph C14.6(b), a reason should be provided as part of this description;

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

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

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

Part C: Consultation

C14.7. The licensee must, in cooperation with the Relevant Network Licensees, have regard to whole system considerations and use reasonable endeavours to consult with Network Innovation 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 (including natural gas and hydrogen);

~~(c)~~ heat;

~~(d)~~ refuse;

~~(e)~~ telecoms;

~~(f)~~ transport;

~~(g)~~ carbon storage; and

~~(h)~~ water and wastewater.

C14.8. The licensee must include in the Electricity Network Innovation Strategy:

~~(a)~~ a description of the Network Innovation Interested Parties and the stakeholders referred to in paragraph C14.7, with whom it has consulted; and

~~(b)~~ its analysis of any representations relevant to the requirements set out in paragraph C14.6, received in response to the consultation.

Condition C15 Future Energy Pathways

Introduction

C15.1. The purpose of this condition is to set out the obligations of the licensee to develop Future Energy Pathways and the Future Energy Pathways Methodology, including setting out:

~~(a)~~ in Part A, the requirement to create Future Energy Pathways;

~~(b)~~ in Part B, the creation of the Future Energy Pathways Guidance for developing the Future Energy Pathways;

~~(c)~~ in Part C, the process for the issuance and amendment of the Future Energy Pathways Guidance;

~~(d)~~ in Part D, the creation and scope of the Future Energy Pathways Methodology;

~~(e)~~ in Part E, the process for review of the Future Energy Pathways; and

~~(f)~~ in Part F, application to the Authority for a derogation from obligations in this condition.

Part A: Requirement to create Future Energy Pathways

C15.2. The licensee must:

~~(a)~~ develop and publish the Future Energy Pathways Methodology; and

~~(b)~~ develop and publish the Future Energy Pathways,

in accordance with the Future Energy Pathways Guidance.

C15.3. In developing the Future Energy Pathways, the licensee must:

~~(a)~~ model and forecast the macro-level energy supply and demand for electricity and gas (including natural gas and hydrogen).;

~~(b)~~ model gas flow forecasts on a nodal or zonal basis, including forecast levels of gas supply and demand;

~~(c)~~ model and develop pathways for trajectories of future energy supply and demand, for electricity and gas in longer-term time periods out to 2050, as determined by the Future Energy Pathways Methodology or directed by the Authority; and

~~(d)~~ model and develop a single pathway for a plausible trajectory of future energy supply and demand, for electricity and gas in the short term over a period as determined by the Future Energy Pathways Methodology or directed by the Authority.

C15.4. During the development of the Future Energy Pathways and in accordance with the Future Energy Pathways Guidance, the licensee must consult;

~~(a)~~ the Authority;

~~(b)~~ persons as set out in the Future Energy Pathways Methodology; and

~~(c)~~ other parties that may be interested in the development of the Future Energy Pathways.

C15.5. The consultation in accordance with paragraph C15.4 must be of such a form and duration, as practicable, to reasonably allow all parties set out in paragraph C15.4 to provide representations.

C15.6. The licensee must, by 31 July 2025 and by 31 July of every third year thereafter, publish the Future Energy Pathways.

Part B: Guidance for the Future Energy Pathways

C15.7. The Authority will issue and amend the Future Energy Pathways Guidance by direction.

C15.8. The Authority will publish the Future Energy Pathways Guidance on the Authority's Website.

C15.9. The Future Energy Pathways Guidance will set out:

~~(a)~~ instructions and guidance on the process, content and timeframe for producing the Future Energy Pathways Methodology; and

~~(b)~~ instructions and guidance on the process, content and timeframe for producing the Future Energy Pathways.

Part C: Issuance and amendment of the Future Energy Pathways Guidance

C15.10. Before directing that the Future Energy Pathways Guidance comes into effect, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed Future Energy Pathways Guidance;

~~(b)~~ the date on which the Authority intends the Future Energy Pathways Guidance to come into effect; and

~~(c)~~ a period during which representations may be made by interested parties on the content of the Future Energy Pathways Guidance, which will not be less than 28 days.

C15.11. Before directing an amendment to the Future Energy Pathways Guidance, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the amended Future Energy Pathways Guidance;

~~(b)~~ the date on which the Authority intends the amended Future Energy Pathways Guidance to come into effect;

~~(c)~~ the reasons for the amendments to the Future Energy Pathways Guidance; and

~~(d)~~ a period during which representations may be made by interested parties on the amendment to the Future Energy Pathways Guidance, which will not be less than 28 days.

Part D: Future Energy Pathways Methodology

C15.12. By 31 March 2025, by 31 March 2027, and then by 31 March of every third year thereafter, the licensee must develop, in accordance with the Future Energy Pathways Guidance, and publish the Future Energy Pathways Methodology as approved by the Authority.

C15.13. The Future Energy Pathways Methodology developed by the licensee must include (but need not be limited to):

~~(a)~~ pathway decisions: how the licensee decides on the Future Energy Pathways and the set of core assumptions about the future, such as policy and governance, socio-economical, technical, and energy-industrial changes;

~~(b)~~ data inputs, modelling methods, analysis and areas of collaboration with relevant stakeholders and interested persons;

~~(c)~~ sensitivity and robustness analysis to test the resilience of the decisions suggested by the pathways;

~~(d)~~ how each pathway meets legally binding carbon reduction targets;

~~(e)~~ management of uncertainty and testing of extreme data ranges that are high-impact low-probability for electricity and gas (including natural gas and hydrogen) energy supply and demand;

~~(f)~~ approach to stakeholder engagement including formal consultation periods, and how wider stakeholders can get involved;

~~(g)~~ roles and responsibilities of the licensee and other parties collaborating on the Future Energy Pathways; and

~~(h)~~ the rationale for the choice of time period to which the Future Energy Pathways relate.

C15.14. During the development of the proposed Future Energy Pathways Methodology, and prior to a submission in accordance with paragraph C15.16, the licensee must consult:

~~(a)~~ the Authority; and

~~(b)~~ publicly, other parties that might be interested in the development of the Future Energy Plan Methodology.

C15.15. The consultation in accordance with paragraph C15.14(b) must be of such a form and duration to reasonably allow all parties set out in paragraph C15.14 to provide representations.

C15.16. By 31 December 2024, by 31 December 2026, and then by 31 December of every third year thereafter, the licensee must submit to the Authority for approval the proposed Future Energy Pathways Methodology.

C15.17. Submissions made under paragraph C15.16 must include:

~~(a)~~ a detailed explanation of the consultation process undertaken in the development of the Future Energy Pathways Methodology;

~~(b)~~ a summary of views from all parties that were consulted in accordance with paragraph C15.14 and an explanation of how these were considered in the development of the Future Energy Pathways Methodology; and

~~(c)~~ copies of any formal responses submitted to the licensee as part of its consultation process.

C15.18. The Authority may, on receipt of a submission under paragraph C15.16, either:

~~(a)~~ approve the proposed Future Energy Pathways Methodology; or

~~(b)~~ give a direction to the licensee that the Future Energy Pathways Methodology requires further development, and the date by which the licensee is required to submit a revised Future Energy Pathways Methodology to the Authority for approval.

Part E: Review of the Future Energy Pathways

C15.19. The licensee must, by 31 December 2025 and by 31 December of every third year thereafter, and by 31 December of 2026 and by 31 December of every third year thereafter:

~~(a)~~ review the most recent Future Energy Pathways;

~~(b)~~ submit to the Authority for approval any changes the licensee proposes to make to the Future Energy Pathways Methodology required for production of revised Future Energy Pathways outside of the regular cycle as specified in C15.12 and C15.16; and

~~(c)~~ publish an updated Future Energy Pathways by 31 July of the Financial Year following that in which approval was sought under C15.19(b) or such other date as directed by the Authority in a form approved by the Authority. This must be based on the latest Future Energy Pathways Methodology approved by the Authority.

C15.20. The Authority may on receipt of a submission under paragraph C15.18 either:

~~(a)~~ approve the proposed changes to the Future Energy Pathways Methodology; or

~~(b)~~ give a direction to the licensee that the Future Energy Pathways Methodology requires further development, and the date by which the licensee is required to submit a revised Future Energy Pathways Methodology to the Authority for approval.

C15.21. The licensee must publish the Future Energy Pathways on its website.

Part F: Derogations

C15.22. The licensee may apply to the Authority for a derogation relieving the licensee of its obligations under this condition to such an extent, for such period of time, and subject to such conditions as may be specified by the Authority by direction after consulting the licensee.

Condition C16 Strategic Spatial Energy Plan

Introduction

C16.1. The purpose of this condition is to establish the licensee's obligation to produce a Strategic Spatial Energy Plan and a Strategic Spatial Energy Plan Methodology in accordance with a Commission issued by the Secretary of State, including setting out:

~~(a)~~ in Part A, the requirement to create a Strategic Spatial Energy Plan;

~~(b)~~ in Part B, the scope and timing of the Strategic Spatial Energy Plan; and

~~(c)~~ in Part C, the requirement to develop the Strategic Spatial Energy Plan Methodology.

Part A: Requirement to create a Strategic Spatial Energy Plan

C16.2. By direction of the Secretary of State, the licensee will develop a Strategic Spatial Energy Plan.

C16.3. The Secretary of State may amend or revoke a direction for the licensee to produce a Strategic Spatial Energy Plan in Writing.

C16.4. The direction issued by the Secretary of State will be in the form of a Commission.

C16.5. The licensee must develop a Strategic Spatial Energy Plan that will assess the optimal locations, quantities and types of energy infrastructure required across Great Britain to meet forecast energy supply and demand, as set out in the Commission.

C16.6. The licensee must apply the Strategic Spatial Energy Plan Methodology in the development of the Strategic Spatial Energy Plan.

C16.7. During the development of the Strategic Spatial Energy Plan the licensee must consult:

~~(a)~~ the Secretary of State;

~~(b)~~ the Authority;

~~(c)~~ other parties set out in the Commission;

~~(d)~~ parties as set out in the Strategic Spatial Energy Plan Methodology; and

~~(e)~~ other parties that the licensee considers interested in the development of the Strategic Spatial Energy Plan.

C16.8. The consultation in accordance with paragraph C16.7 must be of such a form and duration to reasonably allow all parties set out in paragraph C16.7 to provide representations.

Part B: Scope and timing of the Strategic Spatial Energy Plan

C16.9. The licensee must produce a Strategic Spatial Energy Plan in accordance with the requirements, scope and timing as issued by the Secretary of State in the Commission.

C16.10. The licensee must, by 31 December 2026 and by 31 December of every third year thereafter (unless otherwise directed by the Secretary of State) submit to the Secretary of State a Strategic Spatial Energy Plan in accordance with the obligations set out in this condition.

C16.11. The licensee must publish the Strategic Spatial Energy Plan on the licensee's website.

Part C: Strategic Spatial Energy Plan Methodology

C16.12. The licensee must develop a Strategic Spatial Energy Plan Methodology and submit it to the Secretary of State and the Authority for review and approval, in line with the requirements and timing set by the Secretary of State in the Commission.

C16.13. Unless otherwise directed by the Secretary of State, by 31 March 2028 and by 31 March of every third year thereafter, the licensee must submit to the Secretary of State a revised Strategic Spatial Energy Plan Methodology, in line with the requirements in Part C of this condition.

C16.14. During the development of the Strategic Spatial Energy Plan Methodology the licensee must consult:

~~(a)~~ the Secretary of State;

~~(b)~~ the Authority;

~~(c)~~ other parties set out in the Commission; and

~~(d)~~ other parties that the licensee considers interested in the development of the Strategic Spatial Energy Plan.

C16.15. The consultation in accordance with paragraph C16.14 must be of such a form and duration to reasonably allow all parties set out in paragraph C16.14 to provide representations.

C16.16. The licensee must publish the Strategic Spatial Energy Plan Methodology on the licensee's website.

Condition C17 Centralised Strategic Network Plan

Introduction

C17.1. The purpose of this condition is to set out the obligation of the licensee to develop a Centralised Strategic Network Plan (CSNP) and CSNP Methodology, including setting out:

~~(a)~~ in Part A, the requirement to create a Centralised Strategic Network Plan;

~~(b)~~ in Part B, the process for issuing and amending the Centralised Strategic Network Plan Guidance;

~~(c)~~ in Part C, the development and approval process for the Centralised Strategic Network Plan Methodology;

~~(d)~~ in Part D, the approval process for the Centralised Strategic Network Plan;

~~(e)~~ in Part E, the publication of the Centralised Strategic Network Plan;

~~(f)~~ in Part F, requirements to report to the Authority on the quality and timeliness of information provided by Transmission Owners; and

~~(g)~~ in Part G, the process for issuing and amending the CSNP Coordination Governance Document.

Part A: Requirement to create a Centralised Strategic Network Plan

C17.2. The licensee must, in accordance with the CSNP Guidance:

~~(a)~~ develop and publish a CSNP Methodology; and

~~(b)~~ develop and publish a Centralised Strategic Network Plan.

C17.3. In developing the CSNP, the licensee must:

~~(a)~~ conduct a whole system strategic assessment of network needs over a rolling 25-year time horizon;

~~(b)~~ evaluate network options for achieving Government net zero targets, identifying and selecting optimal network projects required for delivery in the near term and identifying and selecting a portfolio of potential projects for longer-term requirements;

~~(c)~~ determine whether a holder of a Transmission License or Transporter License or third party will deliver a project that is identified in paragraph C17.3(b); and

~~(d)~~ monitor and identify solutions for longer-term trends in electricity transmission and gas transmission operability that can be resolved through commercial means, innovation, or network investments.

C17.4. During the development of the Centralised Strategic Network Plan and in accordance with the CSNP Guidance, the licensee must consult;

~~(a)~~ the Authority;

~~(b)~~ persons as set out in the CSNP Methodology; and

~~(c)~~ publicly, other parties that might be interested in the development of the Centralised Strategic Network Plan.

C17.5. The consultation in accordance with paragraph C17.4 must be of such a form and duration, as reasonably practicable, to reasonably allow all parties set out in paragraph C17.4 to provide representations.

Part B: Centralised Strategic Network Plan Guidance

C17.6. The Authority may issue and amend the CSNP Guidance by direction.

C17.7. The CSNP Guidance will contain, but not be limited to:

~~(a)~~ instructions and guidance on the process, content, and timeframe for publishing the Centralised System Network Plan; and

~~(b)~~ instructions and guidance for the process, content, and publication of the CSNP Methodology.

C17.8. Before directing that the CSNP Guidance comes into effect, the Authority will publish:

~~(a)~~ the text of the proposed CSNP Guidance; and

~~(b)~~ the period during which representations may be made, which will not be less than 28 days.

C17.9. Before directing any amendment to the CSNP Guidance, the Authority will publish:

~~(a)~~ a consultation on the text of any amendments to the CSNP Guidance;

~~(b)~~ the date on which the Authority intends the amendments to come into effect; and

~~(c)~~ the reasons for any amendment.

Part C: The approval process for the CSNP Methodology

C17.10. By 31 December 2025 and by 31 December of every third year thereafter, the licensee must (unless otherwise directed by the Authority) publish the CSNP Methodology.

C17.11. During the development of, and prior to submitting the proposed CSNP Methodology to the Authority pursuant to paragraphs C17.13 and C17.14, the licensee must consult:

~~(a)~~ the Authority;

~~(b)~~ the Secretary of State; and

~~(c)~~ publicly, other parties that might be interested in the development of the CSNP Methodology.

C17.12. The consultation in accordance with paragraph C17.11 must be of such a form and duration to reasonably allow all parties set out in paragraph C17.11 to provide representations.

C17.13. By 30 September 2025 and by 30 September of every third year thereafter, the licensee must (unless otherwise directed by the Authority) submit to the Authority for approval the proposed CSNP Methodology.

C17.14. Submissions made under paragraph C17.13 must include:

~~(a)~~ a detailed explanation of the consultation process undertaken in the development of the CSNP Methodology;

~~(b)~~ a summary of views from all parties and an explanation of how these were considered in the development of the CSNP Methodology; and

~~(c)~~ copies of any formal responses submitted to the licensee as part of its consultation process.

C17.15. The Authority may on receipt of a submission under paragraph C17.13 either:

~~(a)~~ approve the proposed CSNP Methodology; or

~~(b)~~ give a direction to the licensee that the CSNP Methodology requires further development, and the date by which the licensee is required to submit a revised CSNP Methodology to the Authority for approval.

Part D: The approval process for the Centralised Strategic Network Plan

C17.16. By 1 June 2027 and by 1 June of every third year thereafter, the licensee must (unless otherwise directed by the Authority) submit to the Authority for approval the proposed CSNP.

C17.17. The Authority may on receipt of a submission under paragraph C17.13 either:

~~(a)~~ approve the proposed CSNP; or

~~(b)~~ give a direction to the licensee that the CSNP requires further development, and the date by which the licensee is required to submit a revised CSNP to the Authority for approval.

Part E: Publication of the Centralised Strategic Network Plan

C17.18. By 31 December 2027 and by 31 December of every third year thereafter, (unless otherwise directed by the Authority) the licensee must publish the CSNP in accordance with the latest CSNP Methodology (or other date as directed by the Authority) and in accordance with any relevant requirements set out in the Centralised Strategic Network Plan Guidance).

C17.19. The licensee must publish the Centralised Strategic Network Plan on its website.

Part F: Requirements on NESO to report on Transmission Owner data and information submissions

C17.20. The licensee must report to the Authority on the quality and timeliness of the data and information submitted by Transmission Owners to the licensee with respect to the CSNP, in accordance with the requirements contained in the CSNP Coordination Governance Document.

Part G: The CSNP Coordination Governance Document

C17.21. The licensee must comply with the CSNP Coordination Governance Document.

C17.22. The Authority will issue and amend the CSNP Coordination Governance Document by direction.

C17.23. The Authority will publish the CSNP Coordination Governance Document issued or amended on the Authority's Website.

C17.24. Before directing that the CSNP Coordination Governance Document comes into effect, the Authority will publish:

~~(a)~~ the text of the proposed CSNP Coordination Governance Document;

~~(b)~~ the date on which the Authority intends the CSNP Coordination Governance Document to come into effect; and

~~(c)~~ the period during which representations may be made on the CSNP Coordination Governance Document, which will not be less than 28 days.

C17.25. Before directing an amendment to the CSNP Coordination Governance Document, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the amended CSNP Coordination Governance Document;

~~(b)~~ the date on which the Authority intends the amended CSNP Coordination Governance Document to come into effect;

~~(c)~~ the reasons for the amendments to the CSNP Coordination Governance Document; and

~~(d)~~ the period during which representations may be made on the amendments to the CSNP Coordination Governance Document, which will not be less than 28 days.

Condition C20 Market Facilitator

C20.1. The purpose of this condition is to set an obligation on the licensee to engage with the Market Facilitator in its role to align and standardise flexibility markets and flexibility market arrangements and processes.

Part A: Flexibility Market Rules

C20.2. The licensee must comply with the Flexibility Market Rules, subject to C20.4.

C20.3. The Market Facilitator will issue and amend the Flexibility Market Rules. The licensee may raise appeal to The Authority upon the issuing or amending of the Flexibility Market Rules, in accordance with the process outlined in the Market Facilitator Governance Framework Document.

C20.4. Nothing in this condition replaces, overrides or limits: (a) any statutory duty imposed on the licensee; or (b) any other obligation of the licensee under the licence or any industry code.

Part B: Implementation monitoring

C20.5. The licensee must, within a reasonable timeframe, provide Market Facilitator Information to the Market Facilitator as and when reasonably requested by the Market Facilitator.

C20.6. The Market Facilitator Information must be provided by the licensee in sufficient quality and format as the Market Facilitator may reasonably request.

C20.7. The licensee is not required to comply with paragraph C20.5 if the licensee could not be compelled to produce or give the Market Facilitator Information in evidence in civil proceedings before a court.

Part C: Market Facilitator input into NESO service design

C20.8. The licensee must fully engage and consult with the Market Facilitator in the service design for new and existing NESO Services prior to implementation decisions being made and prior to formal consultation (required under Condition C9 of this licence and Article 18 of the Electricity Balancing Regulation) by the licensee, for NESO Services.

C20.9. The licensee must, in collaboration with the Market Facilitator, jointly establish and maintain the NESO-Market Facilitator Ways of Working Document.

C20.10. The NESO-Market Facilitator Ways of Working Document must contain information on how NESO and the Market Facilitator will coordinate change processes. This should cover, at least:

1. How NESO and the Market Facilitator will ensure strategic alignment

2. Processes for managing instances where a Flexibility Market Rule affects NESO's service design

3. Processes for handling NESO service design changes that require early stage input from the Market Facilitator.

C20.11. The licensee must provide a copy of the NESO-Market Facilitator Ways of Working Document to the Authority no later than the date on which this condition comes into effect, or another date agreed with the Authority.

Section D: Provision of advice and information

Condition D1 Provision of ISOP Advice

Introduction

D1.1. The purpose of this condition is to set out the licensee's obligations and reporting requirements in connection with the provision of ISOP Advice.

Part A: ISOP Advice to the Authority and to a Minister of the Crown

D1.2. The licensee must have regard to the provisions set out in the Advice Process Document when providing ISOP Advice.

Part B: Further obligations regarding ISOP Advice

D1.3. The licensee must retain for a period of 6 years:

~~(a)~~ a record of each request, and any modified requests, for ISOP Advice, and a copy of all ISOP Advice provided;

~~(b)~~ a copy of correspondence related to ISOP Advice provided, and correspondence related to each request, or modified request, referred to in paragraph D1.3(a); and

~~(c)~~ a record of any correspondence setting out the licensee's position that it is not reasonably practicable for it to comply with a request for ISOP Advice.

D1.4. The licensee must provide to the Authority such records, maintained in accordance with paragraph D1.3, as the Authority or Secretary of State may request.

D1.5. The licensee must, if so requested by the Authority, give reasoned comments on the accuracy and text of any summary or explanation of any ISOP Advice that the Authority proposes to publish in accordance with section 35 of the Gas Act 1986 or section 48 of the Electricity Act 1989.

Condition D2 Information requests by the licensee

Introduction

D2.1. The purpose of this condition is to set out the obligations in connection with the licensee's power to request information under section 172 of the Energy Act 2023.

D2.2. This condition also provides for the ISOP Information Request Statement that sets out further detail on the process the licensee expects to follow when requesting information.

Part A: Information requests

D2.3. When the licensee acts in accordance with section 172 of the Energy Act 2023, the licensee must comply with the obligations in this condition and the ISOP Information Request Statement as approved by the Authority.

Part B: ISOP Information Request Statement

D2.4. The licensee must by the date that this licence comes into effect (or such later date as the Authority may direct) prepare and submit to the Authority for approval an ISOP Information Request Statement.

D2.5. The ISOP Information Request Statement must include, but need not be limited to, the following matters:

~~(a)~~ the process the licensee expects to follow when issuing an Information Request Notice, including any further detail around the expected engagement between the licensee and recipient of an Information Request Notice; and

~~(b)~~ the details to be included in an Information Request Notice issued by the licensee.

D2.6. The licensee must keep the ISOP Information Request Statement under review and determine if any amendment should be made to the ISOP Information Request Statement.

D2.7. Where the licensee determines that the ISOP Information Request Statement should be amended, or if directed to do so by the Authority, the licensee must amend the ISOP Information Request Statement.

D2.8. Unless otherwise directed by the Authority, before preparing a new ISOP Information Request Statement under paragraph D2.4, or amending the ISOP Information Request Statement, the licensee must:

~~(a)~~ provide a copy of the proposed new or amended ISOP Information Request Statement to the Authority;

~~(b)~~ consult for a period not less than 28 days with interested parties; and

~~(c)~~ within 28 days of the close of the consultation, submit to the Authority a report setting out:

(i) the proposed amendments;

(ii) any representations made and not withdrawn; and

(iii) any change to the amendments proposed as a result of such representations.

D2.9. During the period of 28 days beginning with the date of the receipt of the report under paragraph D2.8(c) or ISOP Information Request Statement under paragraph D2.8(a), whichever is later, the Authority will:

~~(a)~~ approve the new or amended ISOP Information Request Statement proposed by the licensee;

~~(b)~~ reject the proposed new or amended ISOP Information Request Statement and set out the reasons for such rejection; or

~~(c)~~ request more information from the licensee and then approve or reject the proposed amendments to the ISOP Information Request Statement within 28 days of receipt of information that the Authority considers satisfies its request.

D2.10. The licensee must publish the new or amended ISOP Information Request Statement, as approved by the Authority, on the licensee's website.

D2.11. The requirements of paragraphs D2.4, D2.8, D2.9, and D2.10 may be satisfied by actions taken by the licensee and the Authority before this licence comes into effect, as well as after.

Part C: Reporting requirements

D2.12. The licensee must, unless the Authority otherwise consents, maintain for a period of 6 years a record of information requests issued pursuant to section 172 of the Energy Act 2023, including:

~~(a)~~ a copy of the Information Request Notice;

~~(b)~~ any subsequent variations to the original information requested;

~~(c)~~ the recipient's response to the notice, including any refusal or challenges to the notice or requested information;

~~(d)~~ the time taken for the recipient to provide the requested information;

~~(e)~~ the manner and form the information was provided in; and

~~(f)~~ the information provided in response to the notice, and whether such information complied, in the licensee's view, with the notice issued or varied by the licensee.

D2.13. The licensee must provide to the Authority such records, maintained in accordance with paragraph D2.12, as the Authority may request.

Condition D3 Provision of information to the Authority

Introduction

D3.1. The purpose of this condition is to set out the obligations by which the licensee provides information and reports to the Authority for the Authority to perform certain functions.

Part A: Provision of information to the Authority

D3.2. Subject to paragraphs D3.3 and D3.5, the licensee must provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information and must procure and provide 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 the Authority by or under the Utilities Act 2000; and

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

Part B: Further obligations regarding information provision

D3.3. The licensee shall not be required by the Authority to provide under this condition, information for the purpose of the exercise of its functions under section 47 of the Electricity Act 1989 or section 34 of the Gas Act 1986.

D3.4. The licensee must, if so requested by the Authority, give reasoned comments on the accuracy and text of any summary or explanation of any information or advice (so far as relating to its ISOP Business) which the Authority proposes to publish pursuant to section 48 of the Electricity Act 1989 or section 35 of the Gas Act 1986.

D3.5. This condition does 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.

D3.6. The power of the Authority to call for information under this condition is in addition to any power of the Authority to call for information under or in accordance with any statute, enactment or any other condition. There is 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 D4 Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner

Introduction

D4.1. The purpose of this condition is to set out the information and assistance as is required by the Authority in relation to:

~~(a)~~ in Part A, any application, offer, agreement or variation to contractual terms made under condition E12 (Requirement to offer terms) requiring the appointment of an Offshore Transmission Owner;

~~(b)~~ in Part B, the rationale for including Developer-Associated Offshore Wider Works in an offer made under paragraph E12.4 of condition E12 requiring the appointment of an Offshore Transmission Owner.

Part A: Provision of information and assistance to the Authority

D4.2. The licensee must provide to the Authority information relating to:

~~(a)~~ any application made under condition E12 that would require the appointment of an Offshore Transmission Owner, including the licensee's initial view on whether Developer-Associated Offshore Wider Works are anticipated in relation to the application;

~~(b)~~ any offer made under condition E12 that would require the appointment of an Offshore Transmission Owner and that includes Developer-Associated Offshore Wider Works;

~~(c)~~ any agreement entered into under condition E12 that requires the appointment of an Offshore Transmission Owner, specifying, where relevant, if Developer-Associated Offshore Wider Works are included in or affected by the agreement; and

~~(d)~~ any agreed variation to the contractual terms entered into under condition E12 that requires the appointment of an Offshore Transmission Owner, specifying, where relevant, if Developer-Associated Offshore Wider Works are included in or affected by the variation.

D4.3. The licensee must submit to the Authority information equivalent to an application in accordance with the STC, made by the licensee to a Transmission Licensee under paragraph 1 or of standard condition D4A (Obligations in relation to offers for connection etc) of the Transmission Licence, in respect of an application made under condition E12 that requires the appointment of an Offshore Transmission Owner.

D4.4. The licensee must provide to the Authority information in electronic form produced by the licensee that the licensee considers provides an appropriate representation of the National Electricity Transmission System, for the conditions on the National Electricity Transmission

System relevant to each agreement notified in accordance with paragraph D4.2(c) and in sufficient detail to enable other parties to undertake Offshore Transmission System design work.

D4.5. The licensee must provide to the Authority information describing any other design options considered by the licensee that are relevant to each agreement notified in accordance with paragraph D4.2(c).

D4.6. The licensee must provide the information required under paragraphs D4.2, D4.3, D4.4, and D4.5 without specific request from the Authority and within 10 Business Days of the date of the application or offer made or agreement entered into or variation to contractual terms agreed, under condition E12.

D4.7. The Authority may require the licensee to provide additional information as the Authority may reasonably require or as may be necessary, for the purposes of appointing an Offshore Transmission Owner. The licensee must agree with the Authority an indicative timetable for additional information provision during a tender exercise.

D4.8. The licensee must provide the Authority with assistance in assessing Offshore Transmission System designs proposed during a tender exercise, equivalent to that provided to other STC Parties in respect of an application in accordance with the STC. Such assistance may include (but is not limited to) the licensee:

~~(a)~~ carrying out an economic impact assessment of proposed Offshore Transmission System designs;

~~(b)~~ assessing the impact of proposed Offshore Transmission System designs that require a change to the assumptions made by the licensee in preparing the offer made under condition E12; and

~~(c)~~ advising on any constraints relevant to the carrying out of the works necessary to connect proposed Offshore Transmission System designs to the National Electricity Transmission System.

D4.9. The licensee must:

~~(a)~~ where an Offshore Transmission System has not been constructed or installed by an Offshore Transmission Owner, provide a Completion Notice to the Authority in respect of that Offshore Transmission System on the same date that any electricity generated by the relevant generating station connected to that Offshore Transmission System is permitted to be transmitted over that Offshore Transmission System onto the Total Electricity System in accordance with the Grid Code; or

~~(b)~~ in all other cases, notify the Authority within 10 Business Days of the completion of any Offshore Transmission System.

D4.10. The licensee shall not be required by the Authority to provide it under this condition, information for the purpose of the exercise of its functions under section 47 of the Electricity Act 1989.

D4.11. This condition does 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.

D4.12. 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 in accordance with any other condition. There is 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.

Part B: Provision of information to the Authority in relation to the assessment of Developer-Associated Offshore Wider Works

D4.13. When providing information to the Authority under paragraph D4.2(b), the licensee must provide:

~~(a)~~ information on the works detailed in the offer to enter into a Bilateral Agreement and/or Construction Agreement made under condition E12, including its initial view of the scale and cost of any Developer-Associated Offshore Wider Works together with relevant information from discussions with Transmission Owners and Developers as appropriate; and

~~(b)~~ the licensee's initial view of the Needs Case for the Developer-Associated Offshore Wider Works detailed in the offer.

D4.14. On receipt of information under paragraph D4.2(c) that an agreement which includes Developer-Associated Offshore Wider Works has been entered into under condition E12, the Authority will direct the licensee to submit such information as the Authority considers necessary to enable it to assess and make a decision on the rationale for inclusion of Developer-Associated Offshore Wider Works in the scope of the agreement. This may include a requirement to submit a more detailed Needs Case and information collated by the licensee from other licensees or other relevant parties.

D4.15. The Authority will, following discussions with the licensee, direct the timescales within which the licensee is to submit the information required under paragraph D4.14.

D4.16. The licensee must keep under review any Needs Case submitted to the Authority in accordance with paragraph D4.14 from the date of submission until the Developer-Associated Offshore Wider Works are deemed to be Commissioned. The licensee must notify the Authority of

any material changes to the Needs Case or to the circumstances in which the Bilateral Agreement and/or Construction Agreement was made within 10 Business Days of the licensee becoming aware of such change.

D4.17. The Authority may, following notification given to it under paragraph D4.16, require the licensee to provide such additional information as may be necessary for the purposes of enabling the Authority to decide on the continuing rationale for inclusion of Developer-Associated Offshore Wider Works in the scope of the Bilateral Agreement and/or Construction Agreement. The Authority will direct a timetable for provision of additional information under this paragraph.

Section E: Industry Codes and charging

Condition E1 Balancing and Settlement Code (BSC)

Introduction

E1.1. Not used ~~The purpose of this condition is to:~~

~~(a) in Part A, describe the Balancing and Settlement Code (BSC), which is a document that sets out terms between the BSC Parties;~~

~~(b) in Part B, establish the requirements for modification of the BSC;~~

~~(c) in Part C, describe the self-governance route for modification of the BSC;~~

~~(d) in Part D, establish the requirements related to a Significant Code Review; and~~

~~(e) in Part E, establish the licensee's obligations in respect of the BSC Framework Agreement.~~

Part A: Description of the BSC

E1.2. Not used ~~Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must use its best endeavours to take such steps (including ensuring that procedures are in place), as are within its power and control, to facilitate the licensee meeting the requirements set out in this condition including by:~~

~~(a) taking such steps as necessary to comply with any approval, veto or direction as may be issued by the Authority from time to time;~~

~~(b) raising code modification proposals;~~

~~(c) providing such assistance as required under the BSC; and~~

~~(d) creating or modifying industry documents including but not limited to the BSC, Core Industry Documents and Industry Codes where necessary.~~

E1.3. Not used ~~The licensee must have in force a BSC, being a document:~~

~~(a) setting out the terms of the Balancing and Settlement Arrangements described in paragraph E1.12;~~

~~(b) designed so that the Balancing and Settlement Arrangements facilitate achievement of the Applicable BSC Objectives set out in paragraph E1.13;~~

~~(c) including the modification procedures required by paragraphs E1.18 to E1.32;~~

~~(d) including the matters required by paragraph E1.14;~~

~~(e) establishing the BSC Code Administrator and setting out the BSC Code Administrator's powers, duties and functions, which must;~~

~~(i) include a requirement that, in conjunction with other code administrators, the BSC Code Administrator will maintain, publish, review and (where appropriate) amend the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;~~

(ii) include facilitating the matters required by paragraphs E1.18 and E1.14;

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

(f) establishing the BSC Panel and whose composition must include:

(i) an independent chairperson approved by the Authority; and

(ii) a consumer representative (appointed by Citizens Advice, Citizens Advice Scotland, Consumer Scotland, or any successor body) who has a vote as specified in the BSC,

and the licensee shall be taken to comply with this paragraph by modifying the BSC in accordance with the provisions of paragraphs E1.18 and E1.33,

E1.4. Not used The BSC must also include provisions about:

(a) arrangements for the operation of any reconciliation mechanism established by the Secretary of State under section 11 of the Energy Act 2010 in connection with a scheme for reducing fuel poverty, where the operator of the reconciliation mechanism is the BSCCo or an Affiliate of the BSCCo; and

(b) arrangements that facilitate the operation of Contracts for Difference and arrangements that facilitate the operation of a Capacity Market pursuant to EMR Legislation.

E1.5. Not used The BSC must not include provisions that prevent or restrict the BSCCo or any Affiliate of the BSCCo from:

(a) operating the reconciliation mechanism referred to in paragraph E1.4(a); or

(b) undertaking the calculation, collection, administration and settlement of amounts payable or arising in respect of Contracts for Difference and capacity agreements entered into pursuant to EMR Legislation.

E1.6. Not used The BSC may include provisions allowing the BSCCo or any Affiliate of the BSCCo to undertake activities other than those referred to in paragraphs E1.3 and E1.4, subject to Authority consent.

E1.7. Not used The Balancing and Settlement Arrangements in the BSC shall comply with the Transmission Losses Principle.

E1.8. Not used The licensee must ensure that the imbalances referred to in paragraph E1.12(b)(ii) are calculated in compliance with Article 4 of The Energy Market Investigation (Electricity Transmission Losses) Order 2016.

E1.9. Not used The licensee must use its best endeavours to ensure that the BSC is modified in accordance with the EMI Modification Proposal.

E1.10. Not used Notwithstanding paragraph E1.9 the BSC, including any provisions introduced in accordance with the EMI Modification Proposal,

may thereafter be modified from time to time in accordance with the provisions of paragraphs E1.18 and E1.32 so as to further the Applicable BSC Objectives in paragraph E1.13.

E1.11. Not used Paragraph E1.8 will cease to have effect once the EMI Modification Proposal has been implemented.

E1.12. Not used The Balancing and Settlement Arrangements are:

(a) arrangements pursuant to which BSC Parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the Total Electricity System at any time or during any period so as to assist the licensee in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System and balancing the National Electricity Transmission System; and for the settlement of financial obligations (between BSC Parties, or between BSC Parties and the licensee) arising from the acceptance of such offers or bids; and

(b) arrangements:

(i) for the determination and allocation to BSC Parties of the quantities of electricity delivered to and taken off the Total Electricity System, and

(ii) which set, and provide for the determination and financial settlement of, obligations between BSC Parties, or (in relation to the Electricity System Operator's role in coordinating and directing the flow of electricity onto and over the National Electricity Transmission System) between BSC Parties and the licensee, arising by reference to the quantities referred to in paragraph E1.12(b)(i), including the imbalances (after taking account of the arrangements referred to in paragraph E1.12(a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC Parties.

E1.13. Not used The Applicable BSC Objectives referred to in paragraph E1.3(b) are:

(a) the efficient discharge by the licensee of obligations imposed upon it by this licence;

(b) the efficient, economic and coordinated operation of the National Electricity Transmission System;

(c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;

(d) promoting efficiency in the implementation and administration of the Balancing and Settlement Arrangements described in paragraph E1.12;

(e) compliance with the Electricity Regulation and any Relevant Legally Binding Decision of the European Commission and/or the Agency;

(f) implementing and administering the arrangements for the operation of Contracts for Difference and arrangements that facilitate the operation of a Capacity Market pursuant to EMR Legislation; and

(g) compliance with the Transmission Losses Principle.

E1.14. Not used The BSC must provide for:

(a) a copy of the BSC 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;

(b) the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC, such matters arising under the BSC as may be specified in the BSC;

(c) information about the operation of the BSC and the Balancing and Settlement Arrangements:

(i) to be provided to the Authority; and/or

(ii) to be published,

and for the licensee to be empowered to secure compliance with these requirements if so directed by the Authority.

E1.15. Not used The provisions of paragraphs E1.14 and E1.33 shall not limit the matters which may be provided for in the BSC.

E1.16. Not used The Authority may direct the licensee to procure the provision to the Authority of, or the publication of, such information about the operation of the BSC and/or the Balancing and Settlement Arrangements as is referred to in paragraph E1.14(c) and specified in the direction.

E1.17. The licensee must comply with:

(a) the BSC; and

(b) Not used any direction to the licensee made in accordance with this condition.

Part B: BSC modification procedures

E1.18. Not used The BSC must include procedures for its own modification (including procedures for the modification of the modification procedures themselves), which procedures must provide:

(a) subject to paragraphs E1.24 and E1.26, for proposals for modification of the BSC to be made by the licensee, BSC Parties, the Authority (in relation only to modifications within the scope of paragraph E1.31), and such other persons or bodies as the BSC provides;

(b) for proposals for modification of the BSC to be made by the licensee in accordance with a direction issued by the Authority in accordance with paragraphs E1.18(f), E1.27 (the "Significant Code Review route") and E1.19(b);

(c) for the implementation of modification proposals without the Authority's approval in accordance with paragraphs E1.19 (the "self-governance route") and E1.22;

(d) for the provision by the BSC Code Administrator of assistance, insofar as is reasonably practicable and on reasonable request, to parties (including, in particular, Small Participants and consumer representatives) that request the BSC Code Administrator's assistance in relation to the BSC including, but not limited to, assistance with:

(i) drafting a modification proposal;

(ii) understanding the operation of the BSC;

(iii) their involvement in, and representation during, the modification procedure processes (including but not limited to BSC Panel and/or workgroup meetings) as required by this condition, specified in the BSC, or described in the Code of Practice; and

(iv) accessing information relating to modification proposals and/or modifications;

(e) for modification proposals made by the Authority or the licensee in accordance with paragraphs E1.18(a), E1.18(b) and E1.18(f)(i) respectively, which fall within the scope of paragraph E1.31:

(i) to be accepted into the BSC modification procedures by the BSC 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 directed by the Authority in accordance with paragraph E1.18(f);

(f) for compliance by the licensee and (where applicable) the BSC Panel with any directions(s) issued by the Authority under this paragraph setting and/or amending a timetable (in relation to a modification proposal which falls within the scope of paragraph E1.31) for the:

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

(ii) completion of each of the proposal steps outlined in paragraph E1.18 or E1.29, to the extent that they are relevant; and/or

(iii) implementation of a modification.

(g) for the implementation of modification proposals without the Authority's approval in accordance with paragraph E1.23 (the "fast track self-governance route");

(h) except in the case of a modification falling within the scope of paragraph E1.28 or E1.23, where a proposal is made in accordance with paragraphs

~~E1.18(a), E1.18(b) and, unless otherwise directed by the Authority, paragraph E1.18(c):~~

~~(i) for bringing the proposal to the attention of BSC Parties and such other persons having an appropriate interest in it (including consumer representatives);~~

~~(ii) for proper consideration of any representations on the proposal including representations made by Small Participants and/or consumer representatives;~~

~~(iii) for properly evaluating the suitability of the Significant Code Review route or self-governance route for a particular modification proposal~~

~~(iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable BSC Objectives, provided that so far as any such evaluation requires information which is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraphs E1.13(a) and E1.13(b);~~

~~(v) for the development and consideration of any alternative modifications which may, as compared with the proposed modification, better facilitate achieving the Applicable BSC Objective (s), provided that:~~

~~(1) the alternative proposals are made as described in the Code of Practice and as further specified in the BSC; and~~

~~(2) unless an extension of time has been approved by the BSC Panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period as specified in the BSC from the date on which the original modification was proposed,~~

~~(vi) for the evaluation required under paragraph E1.18(h)(iv) (and, if applicable paragraph E1.18(h)(v)) in respect of the Applicable BSC Objectives 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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority,~~

~~(vii) for the preparation of a BSC panel report:~~

~~(1) setting out the proposed modification and, separately, any alternatives,~~

~~(2) evaluating the proposed modification and, separately, any alternatives,~~

(3) assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable BSC Objectives and providing a detailed explanation of the BSC Panel's reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions in accordance with paragraph E1.18(h)(vi)),

(4) assessing the impact of the modification and any alternative on the Core Industry Documents and the changes expected to be required to such documents as a consequence of such modification,

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

(viii) for the submission of the BSC Panel 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, and in accordance with the time periods specified in the BSC, which must not be extended unless approved by the BSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraphs E1.18(h)(i) to E1.18(h)(vii);

(ix) for the revision and re-submission of the BSC panel report provided under paragraphs E1.18(h)(vii) and E1.18(h)(viii), such re-submission to be made, if required by a direction issued by the Authority under paragraph E1.33(b), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification),

(i) for the timetable (referred to in paragraph E1.18(h)(vii)) for implementation of any modification to be either:

(i) in accordance with any direction issued by the Authority under paragraph E1.18(f)(iii); or

(ii) where no direction has been issued by the Authority under paragraph E1.18(f)(iii)

(iii) such as will enable the modification to take effect as soon as practicable after the Authority has directed or, in the case of a proposal falling under paragraphs E1.18(c) and E1.19, the BSC Panel has determined 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;

(j) for empowering the licensee to secure, if so directed by the Authority in circumstances specified in the BSC,

(i) that the modification procedures are complied with in respect of any particular modification in accordance with the terms of the direction;

(ii) that, where a modification has been made but not implemented in accordance with its terms, all reasonable steps are taken to implement it in accordance with the terms of the direction;

(iii) that the licensee can recover its reasonable costs and expenses properly incurred in complying with the direction, and

(k) for each of the procedural steps outlined in this paragraph E1.18, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice.

(l) for the completion of each of the procedural steps outlined in this paragraph E1.18, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E1.18(f).

Part C: Self-governance route

E1.19. Not used The procedures for the modification of the BSC must provide that modification proposals must only be implemented without the Authority's approval in accordance with this paragraph E1.19 where:

(a) either of the following applies:

(i) in the view of the BSC Panel, the modification proposal meets all of the Self-Governance Criteria and the BSC 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 BSC Panel has sent copies of all consultation responses to the Authority at least 7 days before the BSC Panel intends to make its determination under paragraph E1.19(d); and

(c) the Authority has not directed that the Authority's decision is required prior to the BSC Panel's determination under paragraph E1.19(d); and

(d) the BSC Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph E1.19(b), determined, in accordance with paragraphs E1.18(h)(i) to E1.18(h)(vii) of this condition as applicable, that the modification proposal or any alternative must be implemented on the basis that it would, as compared with the then existing provisions of the

BSC and any other modifications proposed in accordance with paragraph E1.18(h)(v), better facilitate the achievement of the Applicable BSC Objectives; and

(e) either of the following applies:

(i) no appeal has been raised up to and including 15 Working Days after the BSC Panel's determination under paragraph E1.19(d) in respect of such modification proposal and any alternative in accordance with paragraph E1.21; or

(ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph E1.21 and the Authority has not quashed the BSC Panel's determination referred to in paragraph E1.19(d) of this condition and either remitted the relevant modification proposal and any alternative back to the BSC Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

E1.20. Not used In no circumstances can the self-governance procedure set out in paragraph E1.19 be used to amend the BSC to expand the range of activities that can be undertaken by the BSCCo as contemplated by paragraph E1.6.

E1.21. Not used The procedures for the modification of the BSC must provide that those persons set out at paragraph E1.18(a) may appeal to the Authority the approval or rejection by the BSC Panel of a modification proposal and any alternative falling under the self-governance route, 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 BSC and, in the opinion of the Authority:

(a) either of the following applies:

(i) the appealing party is, or 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 BSC 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 BSC Objectives; and

(b) it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

E1.22. Not used The procedures for the modification of the BSC must provide that:

(a) where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph E1.21 that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal;

(b) if the Authority quashes the BSC Panel's determination referred to in paragraph E1.19(d) and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph E1.21, the BSC Panel's determination of that modification proposal and any alternative referred to in paragraph E1.19(d) shall be treated as a report submitted to the Authority in accordance with the procedures specified in paragraph E1.18(h)(viii)and paragraph E1.33(a) and the BSC Panel's determination shall be treated as its recommendation.

E1.23. Not used The procedures for the modification of the BSC must provide that modifications must only be implemented without the Authority's approval in accordance with this paragraph E1.23 (the "fast track self-governance route") where:

(a) in the unanimous view of the BSC Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;

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

(c) BSC Parties, the licensee and the Authority have been notified of the proposed modification;

(d) none of the persons named in paragraph E1.23(c) have objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and

(e) notification under paragraph E1.23(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.

Part D: Significant Code Review

E1.24. Not used Without prejudice to paragraph E1.28, the procedures for the modification of the BSC must provide that proposals for modification of the BSC falling within the scope of a Significant Code Review must not be made by the parties listed in paragraph E1.18(a) during the BSC Significant Code Review Phase, except where:

(a) 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) the modification proposal is made by the licensee in accordance with paragraphs E1.18(b) and E1.25, or E1.18(f)(i); or

(c) the modification proposal is made by the Authority in accordance with paragraph E1.18(a).

E1.25. Not used The procedures for the modification of the BSC must provide that where a modification proposal is made during the BSC Significant Code Review Phase, unless otherwise exempted by the Authority, the BSC Panel must:

(a) comply with the steps in paragraph E1.18(h) subject to paragraph E1.25(c); and

(b) as soon as practicable notify the Authority of:

(i) any representations received in relation to the suitability of the Significant Code Review route; and

(ii) the BSC Panel's assessment of whether the proposal falls within the scope of a Significant Code Review and the applicability of the exceptions under paragraph E1.24(a) or E1.24(b), and its reasons for that assessment; and

(c) if the Authority so directs, not proceed with the modification proposal until the BSC Significant Code Review Phase has ended.

E1.26. Not used The procedures for the modification of the BSC must provide that if within 28 days after the Authority has published its Significant Code Review conclusions:

(a) the Authority issues Significant Code Review Directions to the licensee, the licensee must comply with those directions and must treat the BSC Significant Code Review Phase as ended;

(b) the Authority issues to the licensee a statement that no Significant Code Review Directions under paragraph E1.26(a) will be issued in relation to the BSC, the licensee must treat the BSC Significant Code Review Phase as ended;

(c) the Authority makes a modification proposal in accordance with paragraph E1.18(a), the licensee must treat the BSC Significant Code Review Phase as ended;

(d) the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the BSC Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph E1.27;

(e) neither Significant Code Review Directions under paragraph E1.26(a), nor a statement under paragraphs E1.26(b) or E1.26(d), have been issued, nor a modification proposal under paragraph E1.26(c) has been made, the BSC Significant Code Review Phase will be deemed to have ended.

~~The Authority's published conclusions and Significant Code Review Directions to the licensee must not fetter the voting rights of the members of the BSC Panel or the recommendation procedures informing the report described at paragraph E1.18(h)(vii).~~

E1.27. Not used ~~The procedures for modification of the BSC must provide that, if the Authority issues a statement under paragraph E1.26(d) and/or a Backstop Direction in accordance with paragraph E1.30, the BSC Significant Code Review Phase will be deemed to have ended when:~~

~~(a) the Authority issues a statement that the BSC Significant Code Review Phase has ended;~~

~~(b) one of the circumstances in paragraphs E1.26(a) or E1.26(c) occurs (irrespective of whether such circumstance occurs within 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 BSC following the BSC Panel's submission of its report under paragraph E1.29(b).~~

E1.28. Not used ~~The procedures for the modification of the BSC must provide that, where the Authority has issued a statement in accordance with paragraph E1.26(d) and/or a Backstop Direction in accordance with paragraph E1.30, the Authority may submit a modification proposal for a modification falling within the scope of paragraph E1.31(b) to the BSC Panel.~~

E1.29. Not used ~~The procedures for the modification of the BSC must provide, where the Authority submits a Significant Code Review modification proposal to the BSC Panel in accordance with paragraph E1.28:~~

~~(a) for the preparation of a BSC panel report:~~

~~(i) evaluating the proposed modification;~~

~~(ii) assessing the extent to which the proposed modification would better facilitate achieving the Applicable BSC Objectives and providing a detailed explanation of the BSC 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 such guidance on the treatment of carbon costs and evaluation of the greenhouse gas emissions as may be issued by the Authority from time to time); and~~

~~(iii) setting out a timetable for implementation of the modification, including the date with effect from when the 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, and in accordance with the time periods specified in the BSC, which must not be extended unless approved by the BSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraph E1.29(a);

(c) for the revision and re-submission of the BSC panel report provided under paragraphs E1.29(a) and E1.29(b), such re-submission to be made, if required by a direction issued by the Authority under paragraph E1.33(b), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification);

(d) for the timetable (referred to in paragraph E1.29(a)(iii)) for implementation of any modification to be either:

(i) in accordance with any direction issued by the Authority under paragraph E1.18(f)(iii); or

(ii) where no direction has been issued by the Authority under paragraph E1.18(f)(iii), 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; and

(e) for the completion of each of the procedural steps outlined in this paragraph E1.29, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E1.18(f).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the BSC Panel or the recommendation procedures informing the report described at paragraph E1.29(a).

E1.30. Not used The procedures for the modification of the BSC must provide that, where a proposal has been made in accordance with paragraph E1.26(a) or E1.18(f)(i), or by the Authority under paragraph E1.26(c) and it falls within the scope of paragraph E1.31(b), the Authority may issue a Backstop Direction, which requires such proposal and any alternatives to be withdrawn and which causes the BSC Significant Code Review Phase to recommence.

E1.31. Not used 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 any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or

~~(b) the modification proposal is in respect of a Significant Code Review.~~

E1.32. Not used ~~Further considerations are as follows:~~

~~(a) without prejudice to paragraph E1.19, if a BSC Panel report has been submitted to the Authority in accordance with the procedures described in paragraph E1.18(h)(viii) or E1.29(b), and the Authority is of the opinion that a modification set out in such BSC Panel report would, as compared with the then existing provisions of the BSC and any other modifications set out in such report, better facilitate achieving the Applicable BSC Objectives, the Authority may direct the licensee to make that modification;~~

~~(b) if a BSC Panel report has been submitted to the Authority in accordance with the procedures described in paragraph E1.18(h)(viii) or E1.29(b) and if the Authority determines that the report prepared in accordance with paragraph E1.18(h)(vii) or E1.29(a) is such that the Authority cannot properly form an opinion in accordance with paragraph E1.32 E1.332(a), the Authority may issue a direction to the BSC Panel:~~

~~(i) specifying the additional steps (including drafting or amending existing drafting of the modification to the BSC), revision (including revision to the timetable), analysis and/or information that it requires in order to form such an opinion; and~~

~~(ii) requiring the report to be revised and be re-submitted in accordance with paragraph E1.18(h)(ix) or E1.29(c);~~

~~(c) without prejudice to paragraph E1.24 or E1.28, only the licensee will have power to modify the BSC.~~

~~Part E: BSC Framework Agreement~~

E1.33. ~~In regard to the BSC Framework Agreement:~~

~~(a)~~ The licensee must be a party to the BSC Framework Agreement.

~~(b) the BSC and/or the BSC Framework Agreement must contain provisions:~~

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

~~(ii) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC any dispute which arises as to whether a person seeking to be admitted as a party to the BSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the BSC Framework Agreement;~~

~~(iii) for persons to be admitted as additional parties to the BSC Framework Agreement by either:~~

~~(1) a representative (who need not be a BSC Party) appointed thereunder to act on behalf of all parties to it, or~~

~~(2) if there is no such representative or if the representative fails to act, the licensee acting on behalf of all parties to it.~~

~~(c) if, following a determination of the Authority as referred to in paragraph E1.33(b)(ii), the representative referred to in paragraph E1.33(b)(iii) fails to act on behalf of all parties to admit such person, the licensee must act on behalf of all parties to admit such person if directed to do so by the Authority.~~

E1.34. The licensee must take all reasonable measures to secure and implement (consistently with the procedures applicable under or in relation to the Core Industry Documents and/or Industry Codes to which it is party (or in relation to which it holds rights in respect of amendment)), and must not take any steps to prevent or unduly delay, changes to those documents, 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 BSC, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the BSC and any Core Industry Document or Industry Code.

E1.35. Paragraph E1.34 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph E1.34 which the Authority may have.

E1.36. Not used ~~In this condition in the expression "sale and purchase of electricity", sale excludes sale by way of assumption of an imbalance under the BSC and sale by way of supply to premises, and purchase must be construed accordingly.~~

Condition E2 Connection and Use of System Code (CUSC)

Introduction

E2.1. The purpose of this condition is to:

~~(a)~~ in Part A, describe the Connection and Use of System Code (CUSC), which is a document that sets out terms between the CUSC Parties;

~~(b)~~ in Part B, establish the requirements for modification of the CUSC;

~~(c)~~ in Part C, describe the self-governance route for modification of the CUSC;

~~(d)~~ in Part D, establish the requirements related to a Significant Code Review; and

~~(e)~~ in Part E, establish the licensee's obligations in respect of the CUSC Framework Agreement.

Part A: Description of the CUSC

E2.2. The licensee must establish arrangements for connection and use of system in respect of matters which are calculated to facilitate the achievement of the Applicable CUSC Objectives set out in paragraph E2.4, other than those matters related to condition B6 (Prohibition on discrimination between users), E3 (Grid Code), E10 (Use of System charging and methodology), E11 (Connection Charging Methodology), E12 (Requirement to offer terms), and E13 (Functions of the Authority).

E2.3. The licensee must comply with paragraph E2.2 by modifying the CUSC, in accordance with the provisions of paragraphs E2.10 and E2.23.

E2.4. The Applicable CUSC Objectives referred to in paragraph E2.2 are:

~~(a)~~ in relation to a proposed modification of the Charging Methodologies only:

(i) the Use of System Charging Objectives; and

(ii) the Applicable Connection Charging Objectives, and

~~(b)~~ in relation to any other proposed modification:

(i) the efficient discharge by the licensee of the obligations imposed upon it under the Electricity Act 1989 and by this licence;

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

(iii) compliance with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and

(iv) promoting efficiency in the implementation and administration of the CUSC arrangements.

E2.5. The licensee must prepare a CUSC which sets out:

~~(a)~~ the terms of the arrangements made in accordance with paragraphs E2.2 and E2.3;

~~(b)~~ the procedures established in accordance with paragraphs E2.10 to E2.21;

~~(c)~~ such other terms as appropriate for the purposes of the CUSC; and

~~(d)~~ the Charging Methodologies.

E2.6. The CUSC prepared by the licensee must establish:

~~(a)~~ The CUSC Code Administrator, and sets out the CUSC Code Administrator's powers, duties and functions which must:

(i) include a requirement that, in conjunction with other Relevant Code Administrators, the CUSC Code Administrator must maintain, publish, review and (where appropriate) amend the Code of Practice approved by the Authority and any amendments to the Code of Practice are to be approved by the Authority;

(ii) include facilitating the matters required by paragraph E2.10; and

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

~~(b)~~ the CUSC Panel, whose functions must include matters required by this condition, and whose composition must include:

(i) an independent chairperson approved by the Authority; and

(ii) a consumer representative (appointed by Citizens Advice or Citizens Advice Scotland, or any successor body) who has a vote as specified in the CUSC.

E2.7. The licensee must only enter into arrangements for connection and Use of System that are in conformity with any relevant provisions of the CUSC.

E2.8. The CUSC must provide for:

~~(a)~~ the licensee and each CUSC User to be contractually bound insofar as is applicable by the terms of the Grid Code;

~~(b)~~ agreements, where appropriate, between the licensee, Transmission Licensees and each CUSC User for:

(i) the licensee and each CUSC User, where appropriate and consistent with E12.3, to enter into an agreement or agreements, supplemental to and in a form prescribed by the CUSC and Connections Methodologies setting out site specific details, in respect of each site at which the CUSC User's electrical lines or electrical plant is connected to the National Electricity Transmission System;

(ii) each CUSC User, where appropriate and consistent with E12.3, to enter into an agreement or agreements with a Transmission Licensee supplemental to and in a form prescribed by the CUSC and Connections Methodologies, setting out site specific details in

respect of each site at which the CUSC User's electrical lines or electrical plant is connected to the National Electricity Transmission System.

~~(c)~~ there to be referred to the Authority for determination such matters arising under the CUSC as may be specified in the CUSC; and

~~(d)~~ a copy of the CUSC 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.

E2.9. The provisions of paragraphs E2.8 and E2.26 do not limit the matters that may be provided for in the CUSC.

Part B: CUSC modification procedures

E2.10. The licensee must establish and operate procedures for the modification of the CUSC (including procedures for modification of the modification procedures themselves), to better facilitate achievement of the Applicable CUSC Objectives. The procedures must provide (without prejudice to the procedures for modification provided for in paragraph E2.23):

~~(a)~~ subject to paragraphs E2.15 and E2.16, for proposals for modification of:

(i) the CUSC (other than in respect of proposals for modification of the Charging Methodologies) to be made by the licensee, CUSC Users, the Authority (in relation only to modifications within the scope of paragraph E2.22), and such other persons and bodies as the CUSC may provide; and

(ii) the Charging Methodologies to be made by the licensee and/or CUSC Users, the Authority (in relation only to modifications within the scope of paragraph E2.22), Citizens Advice, Citizens Advice Scotland, BSC Parties and/or a Codes Materially Affected Party and in accordance with the provisions of the CUSC unless otherwise permitted by the Authority;

~~(b)~~ for proposals for modification of the CUSC to be made by the licensee in accordance with a direction issued by the Authority in accordance with paragraphs E2.10(g), E2.17 (the Significant Code Review route) and E2.29;

~~(c)~~ for the implementation of modification proposals without the Authority's approval in accordance with paragraphs E2.11 (the self-governance route) and E2.13;

~~(d)~~ for the provision by the CUSC Code Administrator of assistance insofar as is reasonably practicable and on reasonable request to parties, (including, in particular, Small Participants and consumer representatives) that request the CUSC Code Administrator's assistance in relation to the CUSC including, but not limited to, assistance with:

(i) drafting a modification proposal;

(ii) understanding the operation of the CUSC;

(iii) their involvement in, and representation during, the modification procedure processes (including but not limited to CUSC Panel and/or workgroup meetings) as required by this condition, specified in the CUSC, or described in the Code of Practice; and

(iv) accessing information relating to modification proposals and/or modifications;

~~(e)~~ for:

(i) the regular convening of the Charging Methodology Forum for the purposes of discussing further development of the Charging Methodologies;

(ii) the provision of information by the licensee in accordance with paragraphs E10.10 and E10.11 of condition E10 (Use of System charging and methodology) and paragraphs E11.12 and E11.13 of condition E11 (Connection Charging Methodology); and

(iii) insofar as is reasonably practicable, the provision by the licensee of such other information or assistance as a Codes Materially Affected Party may reasonably request for the purposes of preparing a proposal to modify a Charging Methodology;

~~(f)~~ for modification proposals made by the Authority or the licensee in accordance with paragraphs E2.10(a), E2.10(b) and E2.10(g)(i) respectively that fall within the scope of paragraph E2.22:

(i) to be accepted into the CUSC modification procedures by the CUSC Panel;

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

(iii) to proceed in accordance with any timetable directed by the Authority in accordance with paragraph E2.10(g);

~~(g)~~ for compliance by the licensee and (where applicable) the CUSC Panel with any direction issued by the Authority under this paragraph setting and/or amending a timetable (in relation to the modification proposal that falls within the scope of paragraph E2.22) for:

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

(ii) the completion of each of the procedural steps outlined in paragraphs E2.10 or E2.20, to the extent that they are relevant; and/or

(iii) the implementation of a modification.

~~(h)~~ for the implementation of modification proposals without the Authority's approval in accordance with paragraph E2.14 (the "fast track self-governance route");

~~(i)~~ except in the case of a modification falling within the scope of paragraphs E2.14 or E2.19, where a proposal is made in accordance with paragraphs

E2.10(a), E2.10(b) and, unless otherwise directed by the Authority, E2.10(c):

(i) for bringing the proposal to the attention of CUSC Parties and such other persons as may properly be considered to have an appropriate interest in it (including consumer representatives);

(ii) for proper consideration of any representations on the proposal (including representations made by Small Participants and consumer representatives);

(iii) for properly evaluating the suitability of the Significant Code Review route or self-governance route for a particular modification proposal;

(iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable CUSC Objectives, provided that so far as any such evaluation requires information that is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraphs E2.4(b)(i) and E2.4(b)(ii).

(v) for the development and consideration of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the Applicable CUSC Objectives provided that:

(1) the alternative proposal is made as described in the Code of Practice and as further specified in the CUSC; and

(2) unless an extension of time has been approved by the CUSC Panel and not objected to by the Authority after receiving notice, any workgroup stage shall last for a maximum period (as specified in the CUSC) from the date on which the original modification was proposed,

(vi) in relation to proposals for the modification of Charging Methodologies, for compliance (as applicable) with:

(1) paragraph E10.6 of condition E10; and

(2) paragraphs E11.5 and E11.10 of condition E11.

(vii) for the evaluation required under paragraph E2.10(i)(iv) (and, if applicable, paragraph E2.10(i)(v)) in respect of the Applicable CUSC Objectives to include, where that 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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority;

(viii) for the preparation of a CUSC Panel report:

(1) setting out the proposed modification and, separately, any alternatives;

(2) evaluating the proposed modification and, separately, any alternatives;

(3) assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable CUSC Objectives and providing a detailed explanation of the CUSC Panel's reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emission in accordance with paragraph E2.10(i)(vii));

(4) assessing the impact of the modification and any alternative on the Core Industry Documents and the changes expected to be required to such documents as a consequence of such modification;

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

(ix) subject to paragraph E2.10(i)(vi), for the submission of the CUSC Panel 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 and in accordance with the time periods specified in the CUSC, which must not be extended unless approved by the CUSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraphs E2.10(i)(i) to E2.10(i)(viii); and

(x) subject to paragraph E2.10(i)(vi), for the revision and resubmission of the CUSC Panel report provided under paragraphs E2.10(i)(viii) and E2.10(i)(ix), such resubmission to be made, if required by a direction issued by the Authority under paragraph E2.23(b), as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification);

~~(j)~~ subject to paragraph E2.10(i)(vi) and without prejudice to paragraph E10.4 of condition E10, for the timetable (referred to in paragraph E2.10(i)(viii)) for implementation of any modification to be either:

(i) in accordance with any direction issued by the Authority under paragraph E2.10(g)(iii); or

(ii) where no direction is issued by the Authority under paragraph E2.10(g)(iii),

such as will enable the modification to take effect as soon as practicable after the Authority has directed or, in the case of a proposal falling under paragraphs E2.10(c) and E2.11, the CUSC Panel, has determined 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 with the consent of or as required by the Authority;

~~(k)~~ for each of the procedural steps outlined in this paragraph E2.10, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice; and

~~(l)~~ for the completion of each of the procedural steps outlined in this paragraph E2.10, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E2.10(g).

Part C: The self-governance route

E2.11. The procedures for the modification of the CUSC must provide that modification proposals must only be implemented without the Authority's approval pursuant to this paragraph where:

~~(a)~~ either of the following applies:

(i) in the view of the CUSC Panel, the modification proposal meets all of the Self-Governance Criteria and the CUSC 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 CUSC Panel has sent copies of all consultation responses to the Authority at least 7 days before the CUSC Panel intends to make its determination under paragraph E2.11(d); and

~~(c)~~ the Authority has not directed that the Authority's decision is required prior to the CUSC Panel's determination under paragraph E2.11(d); and

~~(d)~~ the CUSC Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph E2.11(b), determined, in accordance with paragraphs E2.10(i)(i) to E2.10(i)(viii) as applicable, 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 CUSC and any other modifications proposed in accordance with paragraph E2.10(i)(v), better facilitate the achievement of the Applicable CUSC Objectives; and

~~(e)~~ either of the following applies:

(i) no appeal has been raised up to and including 15 Working Days after the CUSC Panel's determination under paragraph E2.11(d) in respect of such modification proposal and any alternative in accordance with paragraph E2.12; or

(ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph E2.12 and the Authority has not quashed the CUSC Panel's determination referred to in paragraph E2.11(d) and either remitted the relevant modification proposal and any alternative back to the CUSC Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

E2.12. The procedures for the modification of the CUSC must provide that those persons set out in paragraph E2.10(a) may appeal to the Authority the approval or rejection by the CUSC Panel of a modification proposal and any alternative falling under the self-governance route, 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 CUSC and, in the opinion of the Authority:

~~(a)~~ either or both of the following applies:

(i) the appealing party is, or 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 CUSC 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 CUSC Objectives; and

~~(b)~~ the appeal is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

E2.13. The procedures for the modification of the CUSC must provide that:

~~(a)~~ where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph E2.12 that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal;

~~(b)~~ if the Authority quashes the CUSC Panel's determination referred to in paragraph E2.11(d) and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph E2.12, the CUSC Panel's determination of that modification proposal and any alternative, referred to in paragraph E2.11(d) will be

treated as a report submitted to the Authority in accordance with the procedures specified in paragraphs E2.10(i)(ix) and E2.23(a) and the CUSC Panel's determination will be treated as its recommendation.

E2.14. The procedures for the modification of the CUSC must provide that the modifications must only be implemented without the Authority's approval in accordance with this paragraph E2.14 (the "fast track self-governance route") where:

~~(a)~~ in the unanimous view of the CUSC Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;

~~(b)~~ the CUSC Panel unanimously determines that the modification should be made;

~~(c)~~ the CUSC Parties and the Authority have been notified of the proposed modification;

~~(d)~~ none of the persons named in paragraph E2.14(c) have objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and

~~(e)~~ notification under paragraph E2.14(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.

Part D: Significant Code Review

E2.15. Without prejudice to paragraph E2.19, the procedures for the modification of the CUSC must provide that proposals for modification of the CUSC falling within the scope of a Significant Code Review may not be made by the parties listed in paragraph E2.10(a) during the CUSC Significant Code Review Phase, except where:

~~(a)~~ 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)~~ the modification proposal is made by the licensee in accordance with paragraphs E2.10(b) and E2.17, or E2.10(g)(i); or

~~(c)~~ the modification proposal is made by the Authority in accordance with paragraph E2.10(a).

E2.16. The procedures for the modification of the CUSC must provide that, where a modification proposal is made during the CUSC Significant Code Review Phase, unless otherwise exempted by the Authority, the CUSC Panel must:

~~(a)~~ comply with the steps in paragraph E2.10(i) subject to paragraph E2.16(c); and

~~(b)~~ as soon as practicable notify the Authority of:

(i) any representations received in relation to the suitability of the Significant Code Review route; and

(ii) the CUSC Panel's assessment of whether the proposal falls within the scope of a Significant Code Review and the applicability of the exceptions under paragraphs E2.15(a) or E2.15(b), and its reasons for that assessment; and

~~(c)~~ if the Authority so directs, not proceed with the modification proposal until the CUSC Significant Code Review Phase has ended.

E2.17. The procedures for the modification of the CUSC must provide that if within 28 days after the Authority has published its Significant Code Review conclusions:

~~(a)~~ the Authority issues Significant Code Review Directions to the licensee, the licensee must comply with those directions and must treat the CUSC Significant Code Review Phase as ended;

~~(b)~~ the Authority issues to the licensee a statement that no Significant Code Review Directions under paragraph E2.17(a) will be issued in relation to the CUSC, the licensee must treat the CUSC Significant Code Review Phase as ended;

~~(c)~~ the Authority raises a modification proposal in accordance with paragraph E2.10(a), the licensee must treat the CUSC Significant Code Review Phase as ended;

~~(d)~~ the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the CUSC Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph E2.18;

~~(e)~~ neither directions under paragraph E2.17(a), nor a statement under paragraphs E2.17(b) or E2.17(d) have been issued, nor a modification proposal under paragraph E2.17(c), has been made, the CUSC Significant Code Review Phase will be deemed to have ended.

The Authority's published conclusions and Significant Code Review Directions to the licensee shall not fetter the voting rights of the members of the CUSC Panel or the recommendation procedures informing the report described in paragraph E2.10(i)(viii).

E2.18. The procedures for the modification of the CUSC must provide that, if the Authority issues a statement under paragraph E2.17(d) and/or a Backstop Direction in accordance with paragraph E2.21, the CUSC Significant Code Review Phase will be deemed to have ended when:

~~(a)~~ the Authority issues a statement that the CUSC Significant Code Review Phase has ended;

~~(b)~~ one of the circumstances in paragraphs E2.17(a) or E2.17(c) occurs (irrespective of whether such circumstance occurs within 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 CUSC following the CUSC Panel's submission of its report under paragraph E2.20(b).

E2.19. The procedures for the modification of the CUSC must provide that, where the Authority has issued a statement in accordance with paragraph E2.17(d) and/or a Backstop Direction in accordance with paragraph E2.21, the Authority may submit a modification proposal for a modification falling within the scope of paragraph E2.22(b) to the CUSC Panel.

E2.20. The procedures for the modification of the CUSC must provide, where the Authority submits a Significant Code Review modification proposal to the CUSC Panel in accordance with paragraph E2.19:

~~(a)~~ for the preparation of a CUSC Panel report:

(i) evaluating the proposed modification;

(ii) assessing the extent to which the proposed modification would better facilitate achieving the Applicable CUSC Objectives and providing a detailed explanation of the CUSC Panel's reasons for that assessment (such assessment to include, where that 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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time); and

(iii) 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 CUSC Panel 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, and in accordance with the time periods specified in the CUSC, which must not be extended unless approved by the CUSC Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraph E2.20(a);

~~(c)~~ for the revision and re-submission of the CUSC Panel report provided under paragraphs E2.20(a) and E2.20(b), such re-submission to be made, if required by a direction issued by the Authority under paragraph E2.23(b),

as soon after the Authority's direction as is appropriate (taking into account the complexity, importance and urgency of the modification); and

~~(d)~~ for the timetable (referred to in paragraph E2.20(a)(iii)) for implementation of any modification to be either:

(i) in accordance with any direction issued by the Authority under paragraph E2.10(g)(iii); or

(ii) where no direction has been issued by the Authority under paragraph E2.10(g)(iii), 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 required by the Authority;

~~(e)~~ for the completion of each of the procedural steps outlined in this paragraph E2.20, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E2.10(g).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the CUSC Panel or the recommendation procedures informing the CUSC Panel Report described in paragraph E2.20(a).

E2.21. The procedures for modification of the CUSC must provide that, where a proposal has been raised in accordance with paragraph E2.17(a) or E2.10(i), or by the Authority under paragraph E2.17(c) and it falls within the scope of paragraph E2.22(b), the Authority may issue a Backstop Direction, which requires such proposal and any alternatives to be withdrawn and which causes the CUSC Significant Code Review Phase to recommence.

E2.22. 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 any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or

~~(b)~~ the modification proposal is in respect of a Significant Code Review.

E2.23. Further considerations are as follows:

~~(a)~~ without prejudice to paragraph E2.11, if a report has been submitted to the Authority in accordance with procedures described in paragraph E2.10(i)(ix) or E2.20(b), and the Authority is of the opinion that a modification set out in such CUSC Panel report would, as compared with the then existing provisions of the CUSC and any alternative modifications set out in such CUSC Panel report, better facilitate achieving the Applicable

CUSC Objectives, the Authority may direct the licensee to make that modification.

~~(b)~~ if a CUSC Panel Report has been submitted to the Authority in accordance with the procedures described in paragraph E2.10(i)(ix) or E2.20(b) and if the Authority determines that the CUSC Panel Report prepared in accordance with paragraph E2.10(i)(viii) or E2.20(a) is such that the Authority cannot properly form an opinion in accordance with paragraph E2.23(a), the Authority may issue a direction to the CUSC Panel:

(i) specifying the additional steps (including drafting or amending existing drafting of the amendment to the CUSC), revision (including revision to the timetable), analysis or information that it requires in order to form such an opinion; and

(ii) requiring the report to be revised and be resubmitted in accordance with paragraph E2.10(i)(x) or E2.20(c).

~~(c)~~ the licensee must only modify the CUSC:

(i) in order to comply with any direction of the Authority in accordance with paragraph E2.23(a); or

(ii) with the consent of the Authority; or

(iii) in accordance with paragraphs E2.10(c) and E2.11, or

(iv) in accordance with paragraphs E2.10(h) and E2.14,

and it will not have the power to modify the CUSC in any other circumstance; and the licensee must furnish the Authority with a copy of any modification made.

~~(d)~~ without prejudice to paragraph E2.15 or E2.19, only the licensee shall have the power to modify the CUSC.

E2.24. The licensee must prepare and publish a summary of the CUSC as modified or changed in such form and manner as the Authority may direct.

Part E: CUSC Framework Agreement

E2.25. The licensee must be a party to the CUSC Framework Agreement and must comply with the CUSC.

E2.26. The CUSC Framework Agreement must contain provisions:

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

~~(b)~~ for referring for the determination by the Authority any dispute that arises as to whether a person seeking to be admitted as a party to the CUSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession had fulfilled all

relevant standard conditions, for admitting such person to be a party to the CUSC Framework Agreement.

E2.27. The licensee must 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 or Industry Codes to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes that are appropriate in order to give full and timely effect to and/or in consequence of any modification that has been made to the CUSC, including, but not limited to, changes that are appropriate in order to avoid conflict or inconsistency as between the CUSC and any Core Industry Document or Industry Code.

E2.28. Paragraph E2.27 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph E2.27, which the Authority may have.

E2.29. The licensee must comply with any direction to the licensee made in accordance with this condition.

E2.30. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must use its best endeavours to ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and must create or modify industry documents including, but not limited to, the CUSC, Core Industry Documents and Industry Codes where necessary.

Condition E3 Grid Code

Introduction

E3.1. The purpose of this condition is to:

~~(a)~~ In Part A, describe the Grid Code, which is a document that sets out terms between the Grid Code Parties;

~~(b)~~ In Part B, establish the requirements for modification of the Grid Code;

~~(c)~~ in Part C, describe the self-governance route for modification of the Grid Code;

~~(d)~~ in Part D, establish the requirements related to a Significant Code Review; and

~~(e)~~ in Part E, establish the licensee's obligations in respect of the Grid Code.

Part A: Description of the Grid Code

E3.2. The licensee must in consultation with Authorised Electricity Operators liable to be materially affected prepare the Grid Code:

~~(a)~~ covering all material technical aspects relating to connections to and the operation and use of the National Electricity Transmission System, or (in so far as relevant to the operation and use of National Electricity Transmission System) the operation of electric lines and electrical plant connected to the National Electricity Transmission System or any Distribution System or any Authorised Distributor, and (without prejudice to the foregoing) making express provision as to the matters referred to in paragraph E3.5 ; and

~~(b)~~ which is designed to facilitate the achievement of the following Applicable Grid Code Objectives:

(i) to permit the development, maintenance and operation of an efficient, coordinated and economical system for the transmission of electricity;

(ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the National Electricity Transmission System being made available to persons authorised to supply or generate electricity on terms, which neither prevents nor restricts competition in the supply of generation of electricity);

(iii) subject to paragraphs E3.2(b)(i) and E3.2(b)(ii), to promote the security and efficiency of the electricity generation, transmission and Distribution Systems in the National Electricity Transmission System Operator Area taken as a whole;

(iv) to efficiently discharge the obligations imposed upon the licensee by this licence and to comply with the Electricity Regulation and any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and

(v) to promote efficiency in the implementation and administration of the Grid Code arrangements.

E3.3. The licensee must have in force and comply (subject to paragraph E3.26) with the Grid Code.

E3.4. The Grid Code must provide for:

~~(a)~~ the procedures established in accordance with paragraph E3.6 and paragraphs E3.10 to E3.19;

~~(b)~~ the Grid Code Panel, a panel body as specified in the Grid Code whose functions must include the matters required by this condition and as set out in the Grid Code and any ancillary documents and whose composition must include:

(i) a chairperson; and,

(ii) a consumer representative (appointed by Citizens Advice or Citizen Advice Scotland, or any successor body) who has a vote as specified in the Grid Code;

~~(c)~~ the Grid Code Administrator. In addition to any powers, duties or functions set out in the Grid Code and any ancillary documents, the Grid Code Administrator must:

(i) together with other Relevant Code Administrators, maintain, publish, review and (where appropriate) amend the Code of Practice approved by the Authority (with any amendments to the Code of Practice as approved by the Authority);

(ii) facilitate the procedures for making a modification to the Grid Code;

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

(iv) provide assistance, as is reasonably practicable and on reasonable request, to Authorised Electricity Operators (including, in particular, Small Participants) and, where relevant, consumer representatives that request the Grid Code Administrator's assistance in relation to the Grid Code including, but not limited to, assistance with:

(1) drafting a modification proposal;

(2) understanding the operation of the Grid Code;

(3) their involvement in, and representation during, the modification procedure processes (including, but not limited to Grid Code Panel and/or workgroup meetings) as required by this condition, specified in the Grid Code, or described in the Code of Practice; and

(4) accessing information relating to modification proposals and/or modifications.

E3.5. The Grid Code must include codes relating to the technical operation of the National Electricity Transmission System, including:

~~(a)~~ connection conditions specifying the technical, design and operational criteria to be complied with by the licensee and by any person connected or seeking connection with the National Electricity Transmission System or by any person authorised to generate who is connected with or seeks connection with the National Electricity Transmission System or any Distribution System or any third party that is located in the National Electricity Transmission System Operator Area;

~~(b)~~ an operating code specifying the conditions under which the licensee must operate the National Electricity Transmission System and under which persons must operate their plant or Distribution Systems in relation to the National Electricity Transmission System, insofar as necessary to protect the security and quality of supply and safe operation of the National Electricity Transmission System under both normal and abnormal operating conditions;

~~(c)~~ a planning code specifying the technical and design criteria and procedures to be applied in the planning and development of the National Electricity Transmission System and to be taken into account by persons connected or seeking connection with the National Electricity Transmission System in the planning and development of their own plant and systems; and

~~(d)~~ procedures relating to the outage of Generation Sets and a balancing code specifying, among other matters, information to be submitted by Authorised Electricity Operators to the licensee for the purposes of, and the making of offers and bids in, the Balancing Mechanism, and the issuing by the licensee of the instructions by reference to such offers and bids.

Part B: Grid Code modification procedures

E3.6. The licensee must establish and operate procedures for the modification of the Grid Code (including procedures for modification of the modification procedures themselves), so as to better facilitate achievement of the Applicable Grid Code Objectives, where procedures must provide:

~~(a)~~ subject to paragraphs E3.14(b) and E3.14(c), for proposals for modification of the Grid Code to be made by the licensee, the Grid Code users, the Authorised Electricity Operators liable to be materially affected thereby, the Authority (in relation only to modifications within the scope of paragraph E3.20), Citizen Advice, Citizens Advice Scotland, and such other persons and bodies as the Grid Code may provide; and

~~(b)~~ for proposals for modification of the Grid Code to be made by the licensee in accordance with a direction issued by the Authority in accordance with paragraphs E3.6(f) and E3.15 (the Significant Code Review route);

~~(c)~~ for the implementation of modification proposals without the Authority's approval in accordance with paragraphs E3.10 (the self-governance route) and E3.12;

~~(d)~~ for the implementation of modification proposals without the Authority's approval in accordance with paragraph E3.13 (the fast track self-governance route);

~~(e)~~ for modification proposals made following a direction by the Authority:

(i) to be accepted into the Grid Code modification procedures by the Grid Code 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 directed by the Authority in accordance with paragraph E3.6(f);

~~(f)~~ for compliance by the licensee and (where applicable) the Grid Code Panel with any direction issued by the Authority under this paragraph setting or amending a timetable (in relation to a modification proposal that falls within the scope of paragraph E3.20) for the:

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

(ii) completion of the procedural steps outlined in paragraphs E3.6 or E3.18 to the extent that they are relevant; and/or

(iii) implementation of a modification.

~~(g)~~ except in the case of a modification falling within the scope of paragraph E3.17 or E3.13 where a proposal is made in accordance with paragraph E3.6(a),

(i) for bringing the proposal to the attention of the Grid Code Parties and such other persons as may properly be considered to have an appropriate interest in it (including consumer representatives);

(ii) for proper consideration of any representations on the proposal (including representations made by Small Participants and consumer representatives);

(iii) for properly evaluating the suitability of the Significant Code Review or self-governance route for a particular modification proposal;

(iv) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable Grid Code Objectives, provided that so far as any such evaluation requires information that is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph E3.2;

(v) for the development and consideration of any alternative modification that may, as compared with the proposed modification,

better facilitate achieving the Applicable Grid Code Objectives provided that:

(1) the alternative proposal is made as described in the Code of Practice and as further specified in the Grid Code; and

(2) unless an extension of time has been approved by the Grid Code Panel and not objected to by the Authority after receiving notice, any workgroup stage must last for a maximum period (as specified in the Grid Code) from the date on which the original modification was proposed,

(vi) for the evaluation required under paragraph E3.6(g)(iv) (and, if applicable, paragraph E3.6(g)(v)) in respect of the Applicable Grid Code Objectives 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 such guidance (on the treatment of carbon costs and evaluation of the greenhouse gas emissions) as may be issued by the Authority;

(vii) for the preparation of a Grid Code panel report:

(1) setting out the proposed modification and, separately, any alternatives;

(2) evaluating the proposed modification and, separately, any alternatives;

(3) assessing the extent to which the proposed modification or any alternative would better facilitate achieving the Applicable Grid Code Objectives and providing a detailed explanation of the Grid Code Panel's reasons for that assessment (such assessment to include, where applicable, an assessment of the quantifiable impact of the proposal on greenhouse gas emissions in accordance with paragraph E3.6(g)(vi);

(4) assessing the impact of the modification and any alternative on the Core Industry Documents and the changes expected to be required to such documents as a consequence of such modification;

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

(viii) 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 and in accordance with the time periods specified in the Grid Code, which must not be extended unless approved by the Grid Code Panel and

not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraphs E3.6(g)(i) to E3.6(g)(vii);

(ix) for each of the procedural steps outlined in this paragraph E3.6, to the extent that they are relevant, to be consistent with the principles contained in the Code of Practice; and

(x) for the completion of each of the procedural steps outlined in paragraph E3.6, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E3.6(f).

E3.7. The licensee must only modify the Grid Code:

~~(a)~~ with the consent of the Authority; or

~~(b)~~ in accordance with paragraphs E3.10 or E3.13,

and it must not have the power to modify the Grid Code in any other circumstance; and the licensee must furnish the Authority with a copy of any modification made.

E3.8. Without prejudice to paragraph E3.17, only the licensee will have the power to modify the Grid Code.

E3.9. Without prejudice to paragraph E3.10, if a report has been submitted to the Authority in accordance with the procedures described in paragraph E3.6(g)(viii) or E3.18(b), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the Grid Code and any alternative modifications set out in such report, better facilitate achieving the Applicable Grid Code Objectives, the Authority may issue directions requiring the licensee to modify the Grid Code in such manner as may be specified in the directions, and the licensee must forthwith comply with any such directions.

Part C: The self-governance route

E3.10. The procedures for the modification of the Grid Code must provide that modification proposals must only be implemented without the Authority's approval in accordance with this paragraph where:

~~(a)~~ either:

(i) in the view of the Grid Code Panel, the modification proposal meets all the Self-Governance Criteria and the Grid Code 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 Grid Code Panel has sent copies of all consultation responses to the Authority at least 7 days before the Grid Code Panel intends to make its determination under paragraph E3.10(d); and

~~(c)~~ the Authority has not directed that the Authority's decision is required prior to the Grid Code Panel's determination under paragraph E3.10(d); and

~~(d)~~ the Grid Code Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph E3.10(b), determined that the modification proposal, or any alternative must be implemented on the basis that it would, as compared with the then existing provisions of the Grid Code and any other modifications proposed in accordance with paragraph E3.6(g)(v), better facilitate the achievement of the Applicable Grid Code Objectives; and

~~(e)~~ either:

(i) no appeal has been raised up to and including 15 Working Days after the Grid Code Panel's determination under paragraph E3.10(d) in respect of such modification proposal and any alternative in accordance with paragraph E3.11; or

(ii) an appeal has been raised in respect of such a modification proposal and any alternative in accordance with paragraph E3.11 and the Authority has not quashed the Grid Code Panel's determination referred to in paragraph E3.10(d) and either remitted the relevant modification proposal and any alternative back to the Grid Code Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal.

E3.11. The procedures for the modification of the Grid Code must provide that those persons set out in paragraph E3.6(a) may appeal to the Authority the approval or rejection by the Grid Code Panel of a modification proposal and any alternative falling under the self-governance route, 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 Grid Code and, in the opinion of the Authority:

~~(a)~~ either:

(i) the appealing party is, or 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 Grid Code 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 Grid Code Objectives; and

~~(b)~~ it is not brought for reasons that are trivial, vexatious or have no reasonable prospect of success.

E3.12. The procedures for the modification of the Grid Code must provide that:

~~(a)~~ where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph E3.11 that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal;

~~(b)~~ if the Authority quashes the Grid Code Panel's determination referred to in paragraph E3.10(d) and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph E3.11, the Grid Code Panel's determination of that modification proposal and any alternative referred to in paragraph E3.10(d) will be treated as a report submitted to the Authority in accordance with the procedures specified in paragraph E3.6(g)(viii) and the Grid Code Panel's determination will be treated as its recommendation.

E3.13. The procedures for the modification of the Grid Code must provide that the modifications must only be implemented without the Authority's approval in accordance with this paragraph (the fast track self-governance route) where:

~~(a)~~ in the unanimous view of the Grid Code Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;

~~(b)~~ the Grid Code Panel unanimously determines that the modification should be made;

~~(c)~~ the Grid Code Parties and the Authority have been notified of the proposed modification;

~~(d)~~ none of the persons named in paragraph E3.13(c) has objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and

~~(e)~~ notification under paragraph E3.13(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.

Part D: Significant Code Review

E3.14. The procedures for modifying the Grid Code must provide:

~~(a)~~ for the revision and resubmission of the report provided for under paragraph E3.6(g)(viii) or E3.18(b) upon, and in accordance with, a direction issued to the licensee by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal in accordance with paragraph E3.19;

~~(b)~~ without prejudice to paragraph E3.17, that proposals for the modification of the Grid Code falling within the scope of a Significant Code Review may not be made during the Grid Code Significant Code Review Phase, except:

(i) 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

(ii) at the direction of the Authority; or

(iii) where the modification proposal is made by the Authority in accordance with paragraph E3.6(a).

~~(c)~~ that, where a modification proposal is made during a Grid Code Significant Code Review Phase, the Grid Code Panel must:

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

(1) any representations received in relation to the relevance of the Significant Code Review; and

(2) the Grid Code Panel's assessment of whether the proposal falls within the scope of the Significant Code Review and its reasons for that assessment; and

(ii) if the Authority so directs, not proceed with the modification proposal until the Grid Code Significant Code Review Phase has ended.

E3.15. If, within 28 days after the Authority has published its Significant Code Review conclusions:

~~(a)~~ the Authority issues Significant Code Review Directions to the licensee, the licensee must comply with those Significant Code Review Directions and must treat the Grid Code Significant Code Review Phase as ended;

~~(b)~~ the Authority issues to the licensee a statement that no directions under paragraph E3.15(a) will be issued in relation to the Grid Code, the licensee must treat the Grid Code Significant Code Review Phase as ended;

~~(c)~~ the Authority raises a modification proposal in accordance with paragraph E3.6(a), the licensee must treat the Grid Code Significant Code Review Phase as ended;

~~(d)~~ the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the Grid Code Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph E3.16;

~~(e)~~ neither directions under paragraph E3.15(a) nor a statement under paragraph E3.15(b) or E3.15(d) have been issued, nor a modification proposal under paragraph E3.15(c) has been made, the Grid Code 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 Grid Code Panel or the procedures informing the report described in paragraph E3.6(g)(vii).

E3.16. The procedures for the modification of the Grid Code must provide that, if the Authority issues a statement under paragraph E3.15(d) and/or a direction in accordance with paragraph E3.19, the Grid Code Significant Code Review Phase will be deemed to have ended when:

~~(a)~~ the Authority issues a statement that the Grid Code Significant Code Review Phase has ended;

~~(b)~~ one of the circumstances in paragraph E3.15(a) or E3.15(c) occurs (irrespective of whether such circumstance occurs within 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 Grid Code following the Grid Code Panel's submission of its report under paragraph E3.18(b).

E3.17. The procedures for the modification of the Grid Code must provide that, where the Authority has issued a statement in accordance with paragraph E3.15(d) and/or a direction in accordance with paragraph E3.19, the Authority may submit a modification proposal for a modification falling within the scope of paragraph E3.20(b) to the Grid Code Panel.

E3.18. The procedures for the modification of the Grid Code must provide, where the Authority submits a Significant Code Review modification proposal to the Grid Code Panel in accordance with paragraph E3.17:

~~(a)~~ for the preparation of a Grid Code Panel report:

(i) evaluating the proposed modification;

(ii) assessing the extent to which the proposed modification would better facilitate achieving the Applicable Grid Code Objectives and providing a detailed explanation of the Grid Code Panel's reasons for that assessment (such assessment to include, where that 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 such guidance (on the treatment of carbon costs

and evaluation of the greenhouse gas emissions) as may be issued by the Authority from time to time); and

(iii) 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, and in accordance with the time periods specified in the Grid Code, which must not be extended unless approved by the Grid Code Panel and not objected to by the Authority after receiving notice) for the proper execution and completion of the steps in paragraph E3.18(a);

~~(c)~~ for the completion of each of the procedural steps outlined in this paragraph E3.18, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E3.6(f).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the Grid Code Panel or the recommendation procedures informing the report described in paragraph E3.18(a).

E3.19. The procedures for the modification of the Grid Code must provide that, where a proposal has been raised in accordance with paragraph E3.15(a) or E3.6(f)(i), or by the Authority under paragraph E3.15(c) and it falls within the scope of paragraph E3.20(b), the Authority may issue a Backstop Direction, which requires such proposal and any alternatives to be withdrawn and which causes the Grid Code Significant Code Review Phase to recommence.

E3.20. 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 any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or

~~(b)~~ the modification proposal is in respect of a Significant Code Review.

Part E: Obligations on the licensee

E3.21. The licensee must give or send a copy of the Grid Code to the Authority upon request.

E3.22. The licensee must (subject to paragraph E3.23) give or send a copy of the Grid Code to any person upon request.

E3.23. The licensee may make a charge for any copy of the Grid Code given or sent in accordance with paragraph E3.22 of an amount that will not

exceed any amount specified for the time being for the purposes of this condition in directions issued by the Authority.

E3.24. In preparing, implementing and complying with the Grid Code (including in respect of the scheduling of maintenance of the National Electricity Transmission System), the licensee must not unduly discriminate in favour of or against, or unduly prefer, any person or class (or classes) of person.

E3.25. The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the Grid Code in respect of such parts of the National Electricity Transmission System and/or to such extent as may be specified in the directions.

E3.26. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must 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 Grid Code and any ancillary documents where necessary.

Condition E4 System Operator – Transmission Owner Code

Introduction

E4.1. The purpose of this condition is to:

~~(a)~~ in Part A, describe the System Operator – Transmission Owner Code (STC), which is a document that sets out terms between the STC Parties;

~~(b)~~ in Part B, establish the requirements for modification of the STC;

~~(c)~~ in Part C, describe the self-governance route for modification of the STC;

~~(d)~~ in Part D, establish the requirements related to a Significant Code Review;

~~(e)~~ in Part E, establish the Code of Practice in respect of the STC;

~~(f)~~ in Part F, describe how the STC can be modified by the licensee; and

~~(g)~~ in Part G, establish the STC Framework Agreement.

Part A: Description of the STC

E4.2. The licensee must, in common with Transmission Licensees to which standard condition B12 of the Transmission Licence applies, at all times have in force an STC, being a document that:

~~(a)~~ sets out the terms between STC Parties whereby the National Electricity Transmission System and each STC Party's Transmission System that forms part of the National Electricity Transmission System, is to be planned, developed, or operated together with any associated arrangements. The STC requires the Transmission Services to be provided together with any associated arrangements;

~~(b)~~ sets out the terms by which the licensee allocates Transmission Network Revenue, consistent with the principles that the licensee will only allocate invoiced Transmission Network Revenue (net of payments to the Agency, the Authority, electricity interconnector licensees, Offshore Transmission Owners, the licensee, 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 licensee by the Transmission Owners;

~~(c)~~ is designed to facilitate achievement of the Applicable STC Objectives;

~~(d)~~ includes the modification procedures required by paragraphs E4.8 to E4.21; and

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

E4.3. The licensee will be taken to comply with paragraph E4.2 by:

~~(a)~~ adopting, through entry into the STC Framework Agreement (see Part G of this licence condition) and 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

~~(b)~~ modifying such document from time to time in accordance with the provisions of paragraphs E4.8 to E4.22.

E4.4. The terms and arrangements referred to in paragraph E4.2(a) are those which:

~~(a)~~ are requisite for the enjoyment and discharge of the rights and obligations of Transmission Licensees and STC Parties arising under any relevant licences, codes or other documents as may be specified from time to time by the Authority, including, but not limited to, rights and obligations that may arise under each of the Core Industry Documents, the BSC, and the CUSC; and

~~(b)~~ provide for matters that include:

(i) the provision of Transmission Services;

(ii) the operation, including the configuration, of the National Electricity Transmission System;

(iii) the coordination of the planning of STC Parties' Transmission Systems;

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

(v) planning for, and coordination of, transmission outages;

(vi) procedures for developing, agreeing and implementing Party Entry Processes;

(vii) the resolution of disputes;

(viii) the exchange of information between STC Parties, which information they are free to disclose and relates to the discharge of their duties under the Electricity Act 1989, Transmission Licences and other relevant statutory obligations;

(ix) procedures to enable the licensee 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); and

(x) procedures established in accordance with paragraphs E4.8 to E4.21;

nothing in this condition precludes the licensee entering into other terms and arrangements connected with these terms and arrangements, where

such other arrangements are consistent or not in conflict with this licence or the STC or other relevant statutory requirements.

E4.5. The Applicable STC Objectives referred to in paragraph E4.2(c) are:

~~(a)~~ efficient discharge of the obligations imposed upon Transmission Licensees by Transmission Licences and the Electricity Act 1989;

~~(b)~~ efficient discharge of the obligations imposed upon the licensee by the Electricity System Operator licence, the Energy Act 2023 and Electricity Act 1989;

~~(c)~~ development, maintenance, and operation of an efficient, economical, and coordinated 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 licensee;

~~(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 Decisions of the European Commission and/or the Agency.

E4.6. The STC must 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 and any part thereof, excluding any confidential information contained in the STC as provided in the STC, 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)~~ the STC Panel;

~~(d)~~ the STC Code Administrator to perform the role of code administrator. In addition to any powers, duties, or functions set out in the STC, the STC Code Administrator must:

(i) together with other Relevant 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 in particular, and, to the extent relevant, be consistent with the principles contained in, the Code of Practice.

E4.7. The provisions of paragraphs E4.2, E4.4, E4.6 and E4.25 do not limit the matters that may be provided for in the STC.

Part B: STC modification procedures

E4.8. The STC must include procedures for its own modification (including procedures for the modification of the modification procedures themselves) to better facilitate achievement of the Applicable STC Objectives. The procedures for modification must 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 E4.20), the licensee or such other persons or bodies as the STC may provide;

~~(b)~~ for modification proposals made by the Authority or the licensee under paragraphs E4.8(a) and E4.8(c)(i) respectively, which fall within the scope of paragraph E4.20:

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

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

(iii) to proceed in accordance with any timetable directed by the Authority in accordance with paragraph E4.8(c).

~~(c)~~ for compliance by the licensee and, where applicable, the STC 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 E4.20) for:

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

(ii) the completion of each of the procedural steps outlined in paragraphs E4.8 or E4.18, to the extent that they are relevant; and/or

(iii) the implementation of a modification;

~~(d)~~ except for modifications made in accordance with paragraphs E4.12 or E4.17, 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:

(1) for the proper evaluation of the suitability of the self-governance route (in accordance with the paragraph E4.9) for a particular modification proposal;

(2) during a STC 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 STC 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 that is not generally available concerning any STC Party or STC Party's Transmission System, such assessment must be made on the basis of the STC Panel's proper assessment (which the STC Panel must make available for these purposes) of the impact of the proposals 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 STC Panel requires information that is not generally available concerning any STC Party or STC Party's Transmission System or the National Electricity Transmission System, such evaluation must be made on the basis of the STC Panel's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph E4.5;

(v) for the development of any alternative modification that may, as compared with the proposed modification, better facilitate achieving the Applicable STC Objectives;

(vi) for the evaluation required under paragraph E4.8(d)(iv) (and if applicable, paragraph E4.8(d)(v)) in respect of the Applicable STC Objectives 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;

(vii) for the preparation of a report on behalf of the STC Panel that includes:

(1) the proposed modification and any alternative;

(2) an evaluation of the proposed modification and any alternative;

(3) 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 E4.8(d)(vi));

(4) 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;

(5) 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;

(6) a recommendation by the STC Panel (or in the case of a proposal falling within the scope of paragraph E4.9, a determination), by reference to the STC Panel's assessment against the Applicable STC Objectives, as to whether the proposed modification or any alternative should be made;

(7) 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;

(8) 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;

(viii) 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 paragraphs E4.8(d)(i) to E4.8(d)(vii);

~~(e)~~ for the timetable (referred to in paragraph E4.8(d)(vii)) for implementation of any modification to be either:

(i) in accordance with any direction issued by the Authority under paragraph E4.8(c); or

(ii) where no direction has been issued by the Authority under paragraph E4.8(c),

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 STC Panel in accordance with paragraph E4.9), account being taken of the complexity, importance and urgency of the modification, and for the 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;

~~(f)~~ for the completion of each of the procedural steps outlined in this paragraph E4.8, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E4.8(c);

~~(g)~~ for separate processes for the modification of the STC Procedures and the schedule listing the STC Procedures in force from time to time and that otherwise forms a part of the STC, to those for the modification of other parts of the STC set out in paragraphs E4.8(a) to E4.8(f) and paragraphs E4.9 to E4.22; and

~~(h)~~ for the revision and resubmission of the modification report submitted to the Authority in accordance with paragraphs E4.8(d)(vii) and E4.8(d)(viii) upon, and in accordance with, a direction issued to the STC Panel by the Authority where the Authority determines that it cannot properly form an opinion on the approval of the modification proposal.

Part C: Self-governance route

E4.9. The procedures for the modification of the STC must provide that the modification proposals must only be implemented without the Authority's approval in accordance with this paragraph E4.9 (the self-governance route), where:

~~(a)~~ either:

(i) in the view of the STC Panel, the modification proposal meets all the Self-Governance Criteria, and the STC 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 STC Panel has sent copies of all consultation responses to the Authority at least 7 days before the STC Panel intends to make its determination under paragraph E4.9(d); and

~~(c)~~ the Authority has not directed that the Authority's decision is required prior to the STC Panel's determination under paragraph E4.9(d); and

~~(d)~~ the STC Panel has, no earlier than 7 days after sending the consultation responses referred to in paragraph E4.9(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 E4.8(d)(v), better facilitate the achievement of the Applicable STC Objectives; and

~~(e)~~ either:

(i) no appeal has been raised up to and including 15 Working Days after the STC Panel's determination under paragraph E4.9(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 E4.10 and the Authority has not quashed the STC Panel's determination referred to in paragraph E4.9(d) (and either remitted the relevant modification proposal and any alternative back to the STC Panel for reconsideration or taken the decision on the relevant modification proposal and any alternative itself following the appeal).

E4.10. The procedures for the modification of the STC must provide that those persons set out in paragraph E4.8(a) may appeal to the Authority the approval or rejection by the STC Panel of a modification proposal and any alternative falling under the self-governance route (in accordance with paragraph E4.9), 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)~~ either of the following applies:

(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.

E4.11. The procedures for the modification of the STC must provide that:

~~(a)~~ where an appeal has been raised in respect of a modification proposal and any alternative in accordance with paragraph E4.10, that modification proposal and any alternative must be treated in accordance with any decision and/or direction of the Authority following that appeal; and

~~(b)~~ if the Authority quashes the STC Panel's determination referred to in paragraph E4.9(d) of this condition and takes the decision on the relevant modification proposal and any alternative itself following an appeal in accordance with paragraph E4.9(d), the STC Panel's determination of that

modification must be treated as recommended under paragraph E4.8(d)(vii).

E4.12. The procedures for the modification of the STC must provide that the modifications must only be implemented without the Authority approval in accordance with this paragraph E4.12, where:

~~(a)~~ in the unanimous view of the STC Panel, the proposed modification meets all of the Fast Track Self-Governance Criteria;

~~(b)~~ the STC Panel unanimously determines that the modification should be made;

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

~~(d)~~ none of the persons named in paragraph E4.12(c) have objected to the proposed modification being made via the fast track self-governance route in the 15 Working Days immediately following the day on which notification was sent; and

~~(e)~~ notification under paragraph E4.12(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.

Part D: Significant Code Review

E4.13. Without prejudice to paragraph E4.17, the procedures for the modification of the STC must provide that the proposals for the modification of the STC falling within the scope of a Significant Code Review must not be made during the STC 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.

E4.14. The procedures for the modification of the STC must provide that, where a modification proposal is made during a STC Significant Code Review Phase, the STC Panel must:

~~(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 STC 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 STC Significant Code Review Phase has ended.

E4.15. The procedures for the modification of the STC must provide that, if within 28 days after the Authority has published its Significant Code Review conclusions:

~~(a)~~ the Authority issues Significant Code Review directions to the licensee, the licensee must comply with those Significant Code Review directions and must treat the STC Significant Code Review Phase as ended;

~~(b)~~ the Authority issues to the licensee a statement that no directions under paragraph E4.15(a) will be issued in relation to the STC, the licensee must treat the STC Significant Code Review Phase as ended;

~~(c)~~ the Authority raises a modification proposal in accordance with paragraph E4.8(a), the licensee must treat the STC Significant Code Review Phase as ended;

~~(d)~~ the Authority issues a statement that it will continue work on the Significant Code Review, the licensee must treat the STC Significant Code Review Phase as continuing until it is brought to an end in accordance with paragraph E4.16;

~~(e)~~ neither directions under paragraph E4.15(a), nor a statement under paragraphs E4.15(b) or E4.15(d), have been issued, nor a modification proposal under paragraph E4.15(c), has been made, the STC Significant Code Review Phase must 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 STC Panel or the recommendation procedures informing the report described in paragraph E4.8(d)(vii).

E4.16. The procedures for the modification of the STC must provide that, if the Authority issues a statement under paragraph E4.15(d) and/or a direction in accordance with paragraph E4.19, the STC Significant Code Review Phase must be deemed to have ended when:

~~(a)~~ the Authority issues a statement that the STC Significant Code Review Phase has ended;

~~(b)~~ one of the circumstances in paragraphs E4.15(a) or E4.15(c) occurs, irrespective of whether such circumstance occurs within 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 STC Panel's submission of its report under paragraph E4.18(b).

E4.17. The procedures for the modification of the STC must provide that, where the Authority has issued a statement in accordance with paragraph E4.15(d) and/or a direction in accordance with paragraph E4.19, the

Authority may submit a modification proposal for a modification falling within the scope of paragraph E4.20(b) to the STC Panel.

E4.18. The procedures for the modification of the STC must provide, where the Authority submits a Significant Code Review modification proposal to the STC Panel in accordance with paragraph E4.17:

~~(a)~~ for the preparation of an STC 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 STC Panel's reasons for the 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 assessing 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 STC Panel, by reference to the STC Panel's assessment against the Applicable STC Objectives, as to whether the proposed modification should be made;

(vi) including, to the extent practicable, in the report 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) 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 paragraph E4.18(a);

~~(c)~~ for the revision and resubmission of the modification report submitted to the Authority in accordance with paragraph E4.18(b) upon, and in accordance with, a direction issued to the STC 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 paragraph E4.18(a)(vii)) for implementation of any modification to be either:

(i) in accordance with any direction 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 paragraph E4.18, to the extent that they are relevant, to be in accordance with any timetable directed by the Authority under paragraph E4.8(c).

The Authority's published conclusions and Significant Code Review modification proposal shall not fetter the voting rights of the members of the STC Panel or the recommendation procedures informing the report described in paragraph E4.18(a).

E4.19. The procedures for the modification of the STC must provide that, where a proposal has been raised in accordance with paragraphs E4.15(a) or E4.8(c), or the Authority under paragraph E4.8(a) and it falls within the scope of paragraphs E4.20(a) and/or E4.20(b), the Authority may issue a Backstop Direction, which requires such proposal and any alternatives to be withdrawn and which causes the STC Significant Code Review Phase to recommence.

E4.20. 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 any Relevant Legally Binding Decisions of the European Commission and/or the Agency; and/or

~~(b)~~ the modification proposal is in respect of a Significant Code Review.

Part E: Code of Practice

E4.21. The procedures for the modification of the STC must be consistent with the principles set out in the Code of Practice, to the extent that they are relevant.

Part F: Modification by the licensee

E4.22. Modification of the STC by the licensee is permissible under the following conditions:

~~(a)~~ if a report has been submitted to the Authority in accordance with procedures described in paragraph E4.8(d)(viii), and the Authority is of the

opinion that a modification set out in such report would, as compared with the then existing provisions of the STC and any alternative modification set out in such report, better facilitate achieving the Applicable STC Objectives, the Authority may direct the licensee to make that modification on behalf of the STC Parties and the licensee must provide a copy of the direction to all the other STC Parties.

~~(b)~~ the licensee, on behalf of the STC Parties, must only modify the STC:

(i) in order to comply with any direction of the Authority in accordance with paragraph E4.22(a); or

(ii) with the consent of the Authority; or

(iii) in accordance with paragraph E4.9 (the self-governance route); or

(iv) in accordance with paragraph E4.12 (the fast track self-governance route), and

the licensee must not have the power to modify the STC in any other circumstance; and the licensee must furnish the Authority with a copy of any modification made.

~~(c)~~ only the licensee shall have the power to modify the STC.

~~(d)~~ the licensee must ensure that a copy of any direction of the Authority in accordance with paragraph E4.22(a) is made available to each STC Party, including by way of publication.

~~(e)~~ the licensee must ensure that the other STC Parties are provided with a copy of any modification.

E4.23. The licensee must prepare and publish a summary of the STC as modified or changed, from time to time, in such form and manner as the Authority may, from time to time, direct.

Part G: STC Framework Agreement

E4.24. The licensee must be a party to the STC Framework Agreement and must comply with the STC.

E4.25. The STC Framework Agreement must contain provisions:

~~(a)~~ for admitting as an additional party 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 arises 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.

E4.26. The licensee must, 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 must 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.

E4.27. The licensee must, 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 must 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).

E4.28. Paragraphs E4.26 and E4.27 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.

E4.29. Without prejudice to any rights of approval, veto or direction that the Authority may have, the licensee must use its best endeavours to ensure that procedures are in place to facilitate its compliance with the requirements of this condition, including, but not limited to, modification of the STC where necessary.

E4.30. The licensee must comply with any direction made to the licensee, in accordance with this condition.

E4.31. Following consultation with all affected STC Parties, the Authority may 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 E5 Compliance with Distribution Codes

Introduction

E5.1. The purpose of this condition is to establish the licensee's obligations in relation to the Distribution Codes.

Part A: Licensee's duties

E5.2. The licensee must comply with the provisions of every Distribution Code insofar as applicable to it.

E5.3. The Authority may, following consultation with the Licensed Distributor responsible for the relevant Distribution Code and any other directly affected Authorised Electricity Operators, issue directions relieving the licensee of its obligation under paragraph E5.2 in respect of such parts of such Distribution Codes, and to such extent and subject to such conditions as may be specified in those directions.

E5.4. The licensee must be a party to and comply with the Distribution Connection and Use of System Agreement insofar as applicable to it.

Condition E6 Security arrangements

Introduction

E6.1. The purpose of this condition is to set out the licensee's obligations in relation to security arrangements.

Part A: Requirements of the security arrangements

E6.2. The licensee must:

~~(a)~~ in respect of its functions under this licence 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 functions under this licence 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 Electricity Act 1989.

E6.3. The licensee must comply with and perform its obligations under any agreement, which it enters into in accordance with paragraph E6.2(b) above.

Condition E7 Transmission system security standard and quality of service

Introduction

E7.1. The purpose of this condition is to establish the licensee's obligations in relation to the National Electricity Transmission System Security and Quality of Supply Standard (SQSS).

Part A: National Electricity Transmission System security and quality of supply standard

E7.2. The licensee must maintain, have in force, implement, and comply with (subject to paragraphs E7.4 and E7.14) the SQSS.

E7.3. Subject to any Connect and Manage Derogation made under paragraphs E7.5, E7.6, and E7.7 of this condition, the licensee must:

~~(a)~~ plan, develop and operate the National Electricity Transmission System; and

~~(b)~~ coordinate and direct the flow of electricity onto and over the National Electricity Transmission System,

in accordance with the SQSS, together with the STC, the Grid Code 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).

E7.4. The SQSS is designed to facilitate the achievement of the following objectives:

(a) facilitate the planning, development and maintenance of an efficient, coordinated and economical system of electricity transmission, and the operation of that system in an efficient, economic and coordinated manner;

(b) ensure an appropriate level of security and quality of supply and safe operation of the National Electricity Transmission System;

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

(d) facilitate electricity Transmission Licensees to comply with any relevant obligations under assimilated law.

Part B: Derogation conditions

E7.5. Before making a Connect and Manage Offer in accordance with condition C11, the licensee must determine whether, if it were to make that Connect and Manage Offer, it would comply with paragraph E7.3 at the

Connection Date. If the licensee determines that making that Connect and Manage Offer would be inconsistent with its obligations under paragraph E7.3, the licensee must determine by reference to the Connect and Manage Derogation Criteria whether, and to what extent, a Connect and Manage Derogation is required and appropriate and subsequently produce a Connect and Manage Derogation Report.

E7.6. Where a Connect and Manage Derogation Report is submitted to the licensee by a Transmission Licensee as part of an Associated TO Offer, the licensee must:

~~(a)~~ determine whether the Connect and Manage Derogation detailed in the Connect and Manage Derogation Report satisfies the Connect and Manage Derogation Criteria; and

~~(b)~~ if it does not satisfy such criteria, advise the relevant Transmission Licensee as soon as reasonably practicable following receipt of the Associated TO Offer that it proposes to raise a dispute under the STC in respect of the Associated TO Offer. The licensee shall be deemed to have approved the Connect and Manage Derogation on acceptance of the Associated TO Offer.

E7.7. Where the licensee determines that a Connect and Manage Derogation is required to enable it to make a Connect and Manage Offer, the licensee is not required to comply with the requirements of paragraph E7.3 (to the extent of the Connect and Manage Derogation) until the Wider Works relevant to that Connect and Manage Connection have been completed.

Part C: Reporting and statements

E7.8. The licensee must have in force a statement approved by the Authority following consultation with any relevant Authorised Electricity Operator setting out the criteria by which system availability, security and service quality of the National Electricity Transmission System may be measured and where such measurement is dependent on information provided to the licensee by the Transmission Owner, the statement must specify the information to be so provided.

E7.9. The licensee must, within 4 months after the end of each Financial Year, submit to the Authority a report providing details of system availability, security and service quality of the National Electricity Transmission System during the previous Financial Year against the criteria referred to in paragraph E7.8 and must publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.

E7.10. 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 E7.3

in respect of such parts of the National Electricity Transmission System and to such extent as may be specified in the directions.

E7.11. The licensee must give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph E7.3 (as from time to time amended) to the Authority.

E7.12. The licensee must (subject to paragraph E7.10) give or send a copy of the documents (as from time to time revised) referred to in paragraph E7.6 to any person requesting the same.

E7.13. The licensee may charge for any copy given or sent in accordance with paragraph E7.12 of an amount, which will not exceed any amount specified for the time being for the purpose of this condition in a direction issued by the Authority.

Part D: Code maintenance

E7.14. The SQSS must provide for:

(a) The procedures established pursuant to paragraph E7.15.

(b) The SQSS panel, a panel body as specified in the SQSS, whose functions shall include the matters required by this condition and as set out in the SQSS and any ancillary documents, and whose composition shall include a chairperson.

(c) a secretarial or administrative person or body as specified in the SQSS or ancillary document.

E7.15. The licensee must establish and operate procedures for the modification of the SQSS (including procedures for the modification of the modification procedures themselves) so as to better facilitate achievement of the Applicable SQSS objectives, where procedures shall provide:

(a) for proposals for the modification of the SQSS to be made by a member of the panel, the Authority, or a relevant interested person;

(b) Where a proposal is made in accordance with paragraph E7.15(a):

(i) for bringing the proposal to the attention of the Authority and any persons as may properly be considered to have an appropriate interest in it (including consumer representatives), such as by publishing it on the licensee's website;

(ii) for proper consideration of any representations on the proposal (including representations made by small participants and consumer representatives);

(iii) for properly evaluating whether the proposed modification would better facilitate achieving the Applicable SQSS objectives, provided that so far as any such evaluation requires information that is not generally available concerning the licensee or the National Electricity Transmission System, such evaluation must be made on the basis of the licensee's proper assessment (which the licensee must make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph E7.4;

(iv) for preparing and sending 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 of the steps in sub-paragraphs (i-iii), an SQSS panel report:

1. setting out the proposed modification
2. evaluating the proposed modification, and
3. assessing the extent to which the proposed modification would better facilitate achieving the Applicable SQSS Code Objectives and providing a detailed explanation of the SQSS Panel's reasons for that assessment.

E7.16. If a report has been submitted to the Authority in accordance with condition E7.15(iv), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the SQSS, better facilitate achieving the applicable SQSS objectives, the Authority may issue directions requiring the licensee to modify the SQSS in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.

E7.17. The licensee must only modify the SQSS with the consent of the Authority and it must not modify the SQSS in any other circumstance; and the licensee shall furnish the Authority with a copy of any modification made.

E7.18. Without prejudice to any rights of approval, veto or direction the Authority may have, the licensee must ensure that procedures are in place that facilitate its compliance with the requirements of this condition, and must modify the SQSS where necessary no later than 31 March 2025.

Complete Electricity System Operator Licence

Condition E8 SO:TO Optimisation Governance

Introduction

E8.1. The purpose of this condition is to set out the requirements upon the licensee to act consistently with the SO:TO Optimisation Governance Document.

E8.2. Nothing in this condition replaces, overrides, or limits:

~~(a)~~ any statutory duty imposed on the licensee;

~~(b)~~ any other obligation of the licensee under the licence or any code, particularly in relation to the licensee's compliance with condition E4 (System Operator – Transmission Owner Code) and condition E7 (Transmission system security standard and quality of service); or

~~(c)~~ the System Operator – Transmission Owner Code (the STC).

Part A: SO-TO Optimisation Governance

E8.3. The licensee must comply with the SO:TO Optimisation Governance Document.

E8.4. The Authority will issue and amend the SO:TO Optimisation Governance Document by direction.

E8.5. The Authority will publish the SO:TO Optimisation Governance Document on the Authority's Website.

E8.6. The SO:TO Optimisation Governance Document will make provision about the governance and administration of the SO:TO Optimisation Governance Document including:

~~(a)~~ the definition of 'SO-TO Optimisation Solutions';

~~(b)~~ the methodology the licensee must use when providing the Authority with forecasts in relation to SO-TO Optimisation Solutions; and

~~(c)~~ the reporting obligations in respect of SO-TO optimisation output delivery incentive.

E8.7. Before directing that the SO:TO Optimisation Governance Document comes into effect, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed SO:TO Optimisation Governance Document;

~~(b)~~ the date on which the Authority intends the SO:TO Optimisation Governance Document to come into effect; and

~~(c)~~ the period during which representations may be made on the amendments to the SO:TO Optimisation Governance Document, which will not be less than 28 days.

E8.8. Before directing an amendment to the SO:TO Optimisation Governance Document, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the amended SO:TO Optimisation Governance Document;

~~(b)~~ the date on which the Authority intends the amended SO:TO Optimisation Governance Document to come into effect;

~~(c)~~ the reasons for the amendment to the SO:TO Optimisation Governance Document; and

~~(d)~~ the period during which representations may be made on the amendment to the SO:TO Optimisation Governance Document, which will not be less than 28 days.

Part B: SO-TO Optimisation Report

E8.9. The licensee must provide a SO-TO Optimisation Report in accordance with the SO:TO Optimisation Governance Document.

Condition E9 Duty to cooperate

Introduction

E9.1. The purpose of this condition is to set out the licensee's obligations to cooperate when it has followed any guidance as set out by a Significant Code Review (SCR) or entered into a framework agreement or otherwise acceded to any and all of the following:

~~(a)~~ the Grid Code;

~~(b)~~ the Distribution Code;

~~(c)~~ the Connection and Use of System Code (CUSC);

~~(d)~~ the Balancing and Settlement Code (BSC);

~~(e)~~ the System Operator – Transmission Owner Code (STC);

Part A: Requirements for cooperation

E9.2. This condition shall apply where the licensee has entered into a framework agreement or otherwise acceded to any of:

~~(a)~~ the Grid Code;

~~(b)~~ the Distribution Code;

~~(c)~~ the CUSC;

~~(d)~~ the BSC; or

~~(e)~~ the STC.

E9.3. The licensee will cooperate with the Authority and/or any person appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any reasonable requests in relation to planning, project assurance and/or coordination/systems integration in order to give full effect to the conclusions of a Significant Code Review.

E9.4. Cooperation for the purposes of paragraph E9.3 may include but is not limited to:

~~(a)~~ the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a Significant Code Review;

~~(b)~~ the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;

~~(c)~~ the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;

~~(d)~~ the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing;

~~(e)~~ all reasonable steps to:

(i) meet key programme milestones for the completion of any action assigned to the licensee;

(ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensee's ability to meet programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;

(iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and

(iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

Condition E10 Use of System charging and methodology

Introduction

E10.1. The purpose of this condition is to establish the licensee's obligations relating to the Use of System Charges, and to conform to the Use of System Charging Methodology as modified in accordance with Part B of this condition and condition E2 (Connection and Use of System Code (CUSC)).

Part A: Use of System Charges

E10.2. The licensee must:

~~(a)~~ have in force a Use of System Charging Methodology approved by the Authority; and

~~(b)~~ conform to the Use of System Charging Methodology as modified in accordance with Part B of this condition and condition E2.

E10.3. The licensee must:

~~(a)~~ prepare a statement approved by the Authority of the Use of System Charging Methodology;

~~(b)~~ prepare, other than in respect of a charge that the Authority has consented need not appear, a statement, in a form approved by the Authority, of the Use of System Charges determined in accordance with the Use of System Charging Methodology and in such form and detail as necessary to enable any person to make (other than in relation to Balancing Services Charges) a reasonable estimate of the charges to which the person would become liable for the provision of such services; and

~~(c)~~ without prejudice to paragraph E10.6 of this condition or condition E2 if any change is made in:

(i) the Use of System Charges other than in relation Balancing Services Charges; or

(ii) the Use of System Charging Methodology,

the licensee must (before the changes take effect) provide the Authority with a revision of the Use of System Charging Statement (or if the Authority so approves, with amendments to the previous such statement) and/or (as the case may be) with a revision of the statement of the Use of System Charging Methodology, which reflect the changes.

E10.4. Approvals by the Authority in accordance with paragraphs E10.2(a) and E10.3(a) may be granted subject to such conditions relating to further action to be undertaken by the licensee in relation to the Use of System Charging Methodology better meeting the Use of System Charging Objectives including, but not limited to, matters identified in any initial consultation by the Authority, as the Authority deems appropriate. Such

conditions may include, but are not limited to, elements relating to the time by which action under the conditions must be completed.

E10.5. Nothing in this condition affects the ability of the licensee to charge according to the statement issued in accordance with paragraph E10.3(b).

E10.6. The licensee:

~~(a)~~ shall give, except where the Authority consents to a shorter period, 150 days' notice to the Authority of any proposals to change the Use of System Charges, other than in relation to Balancing Services Charges, together with a reasonable assessment of the effect of the proposals (if implemented) on those charges;

~~(b)~~ except insofar as the Authority otherwise directs or consents, must not make any changes to the Use of System Charges more frequently than once in each Financial Year such that any change will take effect on 01 April in a Financial Year; and

~~(c)~~ where it has decided to implement any proposals to change Use of System Charges other than in relation to Balancing Services Charges, must give the Authority notice of its decision and the date on which the proposal will be implemented which must not, without the consent of the Authority, be less than 1 month after the date on which the notice required by this paragraph is given.

E10.7. Unless otherwise determined by the Authority, the licensee must only enter the Use of System arrangements, which secure that Use of System Charges will conform with the statement last furnished under paragraph E10.3(b), either:

~~(a)~~ before it enters the arrangements; or

~~(b)~~ before the charges in question are made,

and, for the purposes of this paragraph, the reference to the statement last furnished under paragraph E10.3(b) must be construed, where that statement is subject to amendments so furnished before the relevant time, as a reference to that statement as so amended.

E10.8. References in paragraphs E10.2, E10.3, E10.6, and E10.7 to charges do not include references to:

~~(a)~~ Connection Charges; or

~~(b)~~ charges determined by reference to the provisions of the CUSC, if any, that have been accepted and determined by the Authority as being excluded.

E10.9. The licensee may periodically revise the information set out in and, with the approval of the Authority, alter the form of the statements prepared in accordance with paragraph E10.3 and must, at least once in every year that this licence is in force, make such revisions as may be necessary to

such statements in order that the information set out in the statements continue to be accurate in all material respects.

E10.10. The licensee must send a copy of any such statement, revision, amendment, or notice given under paragraphs E10.3 to E10.6 to any person who asks for any such statement, revision, amendment, or notice.

E10.11. The licensee may make a charge for any statement, revision, or amendment of a statement, furnished, or notice sent in accordance with paragraph E10.10 of an amount reflecting the licensee's reasonable costs of providing such statement, revision, amendment or notice which costs must not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

Part B: Use of System Charging Methodology

E10.12. The licensee must, for the purpose of ensuring that the Use of System Charging Methodology achieves the Use of System Charging Objectives, keep the Use of System Charging Methodology at all times under review.

E10.13. The licensee must, subject to condition E2 and in accordance with the relevant provisions of the CUSC, make such modifications to the Use of System Charging Methodology as may be requisite for the purpose of better achieving the Use of System Charging Objectives.

E10.14. Nothing in this condition impacts on the application of Part E of condition F1 (Expenditure and allowed revenue).

Part C: Use of System charging requirements under the Electricity Directive

E10.15. The licensee must:

~~(a)~~ as soon as reasonably practicable, publish the Use of System Charging Statements;

~~(b)~~ obtain the Authority's approval to the Use of System Charging Statements before publication; and

~~(c)~~ conform to the published and approved Use of System Charging Statements.

Condition E11 Connection Charging Methodology

Introduction

E11.1. The purpose of this condition is to establish the licensee's duties relating to the Connection Charging Methodology:

~~(a)~~ in Part A, a description of the Connection Charging Methodology;

~~(b)~~ in Part B, a description of Connection Charges;

~~(c)~~ in Part C, a description of the Connection Charging Methodology Statement; and

~~(d)~~ in Part D, setting out the connection charging requirements under the Electricity Directive.

Part A: Connection Charging Methodology

E11.2. The licensee must conform to the Connection Charging Methodology as modified in accordance with condition E2 (Connection and Use of System Code (CUSC)) and in accordance with the relevant provisions of the CUSC.

E11.3. To ensure that the Connection Charging Methodology achieves the Applicable Connection Charging Objectives, the licensee must keep the Connection Charging Methodology under review.

E11.4. The licensee must, subject to condition E2 and in accordance with the relevant provisions of the CUSC, make such modifications to the Connection Charging Methodology as may be requisite for the purpose of better achieving the Applicable Connection Charging Objectives.

E11.5. The licensee must maintain a Connection Charging Methodology Statement approved by the Authority in relation to charges, including charges:

~~(a)~~ for carrying out works and providing and installing electrical lines or electrical plant or meters for the purposes of connection (at entry or exit points) to the National Electricity Transmission System;

~~(b)~~ in respect of extension or reinforcement of the National Electricity Transmission System rendered (at the discretion of a Transmission Licensee where the extension or reinforcement is of that licensee's Transmission System) necessary or appropriate by virtue of the licensee providing connection to or Use of System to any person seeking connection;

~~(c)~~ in circumstances where the electrical lines or electrical plant to be installed are (at the discretion of a Transmission Licensee where the electrical lines or electrical plant which are to be installed will form part of that licensee's Transmission System) of greater size than that required for Use of System by the person seeking connection;

~~(d)~~ for maintenance and repair (including any capitalised charge) required of electrical lines or electrical plant or meters provided or installed for the purposes of making a connection to the National Electricity Transmission System; and

~~(e)~~ for disconnection from the National Electricity Transmission System and the removal of electrical plant, electrical lines and meters following disconnection,

and the Connection Charging Methodology Statement must be in a form and include such detail necessary to enable any person to determine that the charges to which the person would become liable for the provision of such services are in accordance with the Connection Charging Methodology Statement.

E11.6. The Authority may grant an approval in accordance with paragraph E11.5, subject to such conditions relating to further action to be undertaken by the licensee in relation to the Connection Charging Methodology better meeting the Applicable Connection Charging Objectives as identified in any initial consultation by the Authority as the Authority deems appropriate. Such conditions may include (but are not limited to) elements relating to the time by which actions under this condition need to be completed.

Part B: Connection Charges

E11.7. Nothing in this condition shall affect the ability of the licensee to charge according to the Connection Charging Methodology Statement.

E11.8. Unless otherwise determined by the Authority, the licensee must only enter into a Bilateral Agreement or a Construction Agreement which secures that the Connection Charges will conform with the Connection Charging Methodology Statement last furnished under paragraphs E11.5 or E11.10 either:

~~(a)~~ before it enters into the arrangements; or

~~(b)~~ before the charges are made.

E11.9. The Connection Charging Methodology must make provision for Connection Charges for those items referred to in paragraph E11.5 to be set at a level for connections made after 30 March 1990 which will enable the licensee to recover:

~~(a)~~ the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the National Electricity 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; and

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

and for connections made before 30 March 1990 to the National Electricity Transmission System, the Connection Charging Methodology for those items referred to in paragraph E11.5 shall as far as is reasonably practicable reflect the principles of paragraphs E11.9(a) and E11.9(b).

Part C: Connection Charging Methodology Statement

E11.10. Where changes to the Connection Charging Methodology, are made in accordance with condition E2 and the relevant provisions of the CUSC, the licensee must provide the Authority with a revised Connection Charging Methodology Statement showing the changed Connection Charging Methodology and such revised Connection Charging Methodology Statement will supersede previous Connection Charging Methodology Statements furnished under paragraph E11.5 or this paragraph from the date specified within.

E11.11. The Connection Charging Methodology Statement must, where practicable, include examples of the Connection Charges likely to be made in different cases as determined in accordance with the methods and principles shown in the statement.

E11.12. The licensee must publish any Connection Charging Methodology Statement or revision thereof on its website as soon as reasonably practicable.

E11.13. The licensee may make a charge for any Connection Charging Methodology Statement or revision thereof or report, provided or sent in accordance with paragraph E11.12 of an amount reflecting the licensee's reasonable costs of providing such, which costs must not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

E11.14. Nothing in this condition shall impact on the application of Part E of condition F1 (Expenditure and allowed revenue).

Part D: Connection charging requirements under the Electricity Directive

E11.15. To the extent not already required under this licence, and for the avoidance of doubt:

~~(a)~~ the licensee must, as soon as reasonably practicable, publish the most recent Connection Charging Methodology Statement;

~~(b)~~ the licensee must obtain the Authority's approval to the Connection Charging Methodology Statement before publication; and

~~(c)~~ the licensee must conform to the published and approved Connection Charging Methodology Statement.

Condition E12 Requirement to offer terms

Introduction

E12.1. The purpose of this condition is to set out the requirements on application for connection, the expectations to offering or entering into an agreement, and the timeframes which the licensee must follow.

Part A: Connection application requirements

E12.2. Unless otherwise determined by the Authority under condition E13 (Functions of the Authority), on application made by:

~~(a)~~ an Authorised Electricity Operator in the case of an application for Use of System; and

~~(b)~~ any person in the case of an application for connection,

the licensee must (subject to paragraph E12.12) offer to enter into the CUSC Framework Agreement.

E12.3. On application made by any person or any Authorised Electricity Operator the licensee must (subject to paragraph E12.12) offer to enter into a Bilateral Agreement and/or a Construction Agreement in accordance with the Connections Process defined in the CUSC and the Connections Methodologies.

E12.4. On application made by any person or any Authorised Electricity Operator in accordance with paragraphs E12.2 and E12.3, the licensee must, where required by the STC and/or the Connections Network Design Methodology, notify other STC Parties in accordance with the STC and/or the Connections Network Design Methodology and, for the purpose of making an offer for connection or modification to an existing connection or for Use of System, must cooperate and coordinate its activities with any other STC Parties in accordance with the STC.

E12.5. On application made by any person, who requests a Bilateral Agreement and/or a Construction Agreement containing the details in (e) and (f) and any relevant details below, and who is required to meet and meets the Gate 2 Criteria, or a person who makes such a request and is not required to meet the Gate 2 Criteria, the licensee must (subject to paragraph E12.12) offer to enter into a Bilateral Agreement and/or a Construction Agreement relating to connection or modification to an existing connection and such offer must reflect any Associated TO Offer which relates to that offer, and must make detailed provision regarding:

~~(a)~~ the carrying out of work (if any) 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) in connection with the extension or reinforcement of the National Electricity Transmission System rendered (at the discretion of an STC Party where the works are to be carried out on that STC Party's Transmission System) appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose;

~~(c)~~ where there is a need for the Authority to identify an Offshore Transmission Owner, the initial assumptions made by the licensee regarding the carrying out of works in connection with the extension or reinforcement of the National Electricity Transmission System, including initial assumptions regarding any Developer-Associated Offshore Wider Works, where relevant, rendered appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose;

~~(d)~~ the installation of appropriate meters (if any) required to enable the licensee to measure electricity being accepted into the National Electricity Transmission System at the specified entry point or points or leaving such system at the specified exit point or points;

~~(e)~~ the date by which any works required to permit access to the National Electricity Transmission System (including for this purpose any works to reinforce or extend the National Electricity Transmission System) must be completed (time being of the essence unless otherwise agreed by the person seeking connection);

~~(f)~~ the Connection Charges to be paid to the licensee, such charges:

(i) to be presented in a way that can be referred to the Connection Charging Methodology or any revision thereof; and

(ii) to be set in conformity with the requirements of paragraph E11.9 of condition E11 (Connection charging methodology) and (where relevant) paragraph E12.8 of this condition; and

~~(g)~~ such further terms as are or may be appropriate for the purpose of the agreement.

E12.6. On application made by any person who requests a Bilateral Agreement containing the details in E12.3 (e) and (f) and any other relevant details above and who is required to meet, but does not meet the Gate 2 Criteria, the licensee must (subject to paragraph E12.12) offer to enter into a Bilateral Agreement and must make provisions regarding:

~~(a)~~ indicative date of connection, except where the CUSC and STC provide otherwise;

~~(b)~~ indicative point of connection, except where the CUSC and STC provide otherwise; and

~~(c)~~ such further terms as are or may be appropriate for the purpose of the agreement.

E12.7. On application by any person who requests a Gate 1 agreement containing the details specified in (a) – (c) below, or where no modification to an existing connection is requested under E12.5 above, the licensee must (subject to E12.12) offer to enter into a Bilateral Agreement and must make provisions regarding:

~~(a)~~ indicative date of connection;

~~(b)~~ indicative point of connection; and

~~(c)~~ such further terms as are or may be appropriate for the purpose of the agreement.

E12.8. For the purpose of determining an appropriate proportion of the costs directly or indirectly incurred in carrying out works under a Bilateral Agreement and/or Construction Agreement, the licensee will have regard to:

~~(a)~~ the benefit (if any) to be obtained or likely in the future to be obtained by any Transmission Licensee or any other person as a result of carrying out such works whether by reason of the reinforcement or extension of the National Electricity Transmission System or the provision of additional entry or exit points on such system or otherwise; and

~~(b)~~ the ability or likely future ability of any Transmission Licensee to recoup a proportion of such costs from third parties.

E12.9. The licensee may implement Application Windows, of the type and length specified in, or in accordance with, the CUSC and/or the Connections Methodologies, during which persons wishing to apply for a connection in accordance with paragraphs E12.2, E12.3, E12.3, E12.6 and E12.7 and which are required to meet the Gate 2 Criteria must submit their application. Unless agreed otherwise with the Authority, these Application Windows must occur at least once annually, not be for less than 2 weeks and more than 6 weeks and the ISOP should take all reasonable steps to give a notice of 8 weeks, and in any case a minimum 4 weeks' notice of when it plans to start the period

E12.10. The licensee must offer terms in accordance with paragraphs E12.2 and E12.3 as soon as practicable and (except where the Authority consents to a longer period) in any event not more than the period specified in paragraph E12.14 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.

E12.11. The licensee must have in place and publish governance arrangements for the processes it undertakes when identifying (and keeping under review) the solution that in the licensee's view is consistent with its duties under the Electricity Act 1989 and Energy Act

2023 to be included in the offer to enter into a Bilateral Agreement and/or Construction Agreement under this condition.

Part B: Exceptions to offering or entering into any agreement

E12.12. The licensee shall not be obliged in accordance with this condition to offer to enter or to enter into any agreement if:

~~(a)~~ to do so would be likely to involve the licensee:

(i) in breach of its duties in statute;

(ii) in breach of any regulations made under section 29 of the Electricity Act 1989 or of any other enactment relating to safety or standards applicable in respect of the ISOP Business;

(iii) in breach of the Grid Code; or

(iv) in breach of the conditions of the Electricity System Operator Licence; or

~~(b)~~ the person making the application does not undertake to be bound insofar as applicable by the terms of the Grid Code and/or the CUSC from time to time in force; or

~~(c)~~ in the case of persons making application for Use of System under paragraph E12.2(a), such person ceases to be an Authorised Electricity Operator; or

~~(d)~~ it is unable to do so due to a Transmission Licensee having notified the licensee that, for one or more of the reasons set out in paragraph 4 of standard condition D4A and E17 (Obligations in relation to offers for connection etc) of the Transmission Licence, it is not obliged to offer to enter or to enter into any agreement with the licensee in accordance with paragraph 1 or paragraph 3 of standard condition D4A or E17 (Obligations in relation to offers for connection etc) of the Transmission Licence and that it does not intend to offer to enter or to enter into any such agreement; or

~~(e)~~ it is unable to do so due to another STC Party having notified the licensee in accordance with the STC that it is not obliged to offer to enter or to enter into any agreement with the licensee; or

~~(f)~~ if to do so would extend the National Electricity Transmission System beyond the Transmission Area of any Transmission Licensee and the required works could not be undertaken by an Offshore Transmission Owner.

E12.13. In any such case the licensee must give duly substantiated reasons for not offering to enter or not entering into any Bilateral Agreement and/or Construction Agreement.

Part C: Timeframes

E12.14. For the purposes of paragraph E12.10, the period specified must be:

~~(a)~~ in the case of persons seeking Use of System only and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such use, 28 days; and

~~(b)~~ in the case of persons seeking a Bilateral Connection Agreement or a Construction Agreement (and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such agreements) and whose applications are not to be submitted within an Application Window referred to in paragraph E12.9, 3 months; and

~~(c)~~ in the case of persons seeking a Bilateral Agreement or a Construction Agreement (and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such agreements), and who has applied within an Application Window as per paragraph E12.9, no later than 7.5 months from the end of the Application Window, unless agreed otherwise with the Authority; and

~~(d)~~ in any other case, 28 days.

E12.15. The licensee must within 28 days following receipt of a request from any person, give or send to such person such information in the possession of the licensee as may be reasonably required by such person for the purpose of completing an application under the Application Regulations or such provisions of similar effect contained in any further regulations.

E12.16. On receipt of notice from the Authority that an Offshore Transmission Owner has been identified, the licensee must propose to vary the contractual terms of a Bilateral Connection Agreement and/or Construction Agreement entered into in accordance with paragraph E12.3, within 3 months to reflect any changes needed as a consequence of a TO Offer from an Offshore Transmission Owner being different from the initial assumptions made by the licensee under paragraph E12.5(c).

E12.17. Within 28 days following receipt of a notice from the Authority regarding:

~~(a)~~ a decision in accordance with paragraph D4.14 of condition D4 (Provision of information and assistance to the Authority in relation to applications requiring the appointment of an Offshore Transmission Owner) on the rationale for the inclusion of Developer-Associated Offshore Wider Works in the scope of an agreement entered into in accordance with paragraph E12.8 of this condition; or

~~(b)~~ a decision in accordance with paragraph D4.17 of condition D4 on the continuing rationale for the inclusion of Developer-Associated Offshore Wider Works in the scope of an agreement entered into in accordance with paragraph E12.3,

the licensee must, if necessary, propose to vary the contractual terms of a Bilateral Connection Agreement and/or Construction Agreement entered into in

accordance with paragraph E12.4 to reflect any changes needed as a consequence of paragraphs E12.17(a) or E12.17(b).

E12.18. In making an offer to an Existing Offshore Generator in accordance with paragraph E12.3, the licensee must offer to enter into an agreement that reflects the terms of any Relevant Offshore Agreement that:

~~(a)~~ the licensee has with the Existing Offshore Generator;

~~(b)~~ a Licensed Distributor has with the Existing Offshore Generator that has been notified to the licensee in accordance with the CUSC.

E12.19. The licensee must within 28 days after the end of the following 6 monthly periods:

~~(a)~~ 1 April until 30 September; and

~~(b)~~ 1 October until 31 March,

submit to the Authority a report in relation to all offers made under paragraph E12.3 during that 6 month period setting out the factors which have influenced the date identified in each offer in accordance with paragraph E12.5(e)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.

E12.20. A non-confidential, combined version of this report and the reports provided to the licensee under standard condition D4A (Obligations in relation to offers for connection etc) of the Transmission Licence must also be published by the licensee within 10 days after the later of:

~~(a)~~ the receipt by the licensee of the last of the reports under standard condition D4A of the Transmission Licence; and

~~(b)~~ the date by which the licensee is required to submit its report to the Authority in accordance with paragraph E12.19.

Condition E13 Functions of the Authority

Introduction

E13.1. The purpose of this condition is to set out the licensee's obligations with respect to disputes to be settled by the Authority.

Part A: Considerations for the Authority's settlement of disputes

E13.2. If, after a period which appears to the Authority to be reasonable for the purpose, the licensee has failed to enter into an agreement with (as the case may be) any Authorised Electricity Operator or any person entitled or claiming to be entitled thereto in accordance with a request under condition E12Condition E12 (Requirement to offer terms)Requirement to offer terms, the Authority may, pursuant to section 7(3)(c) of the Electricity Act 1989 and on application of such Authorised Electricity Operator or such person or the licensee, settle any terms in dispute of the agreement to be entered into between the licensee and that Authorised Electricity Operator or that person in such manner as appears to the Authority to be reasonable having (where relevant) regard in particular to the following considerations:

~~(a)~~ that such Authorised Electricity Operator or such person must pay to the licensee:

(i) in the case of Use of System, Use of System Charges in accordance with paragraphs E10.2 and E10.7 of condition E10 (Use of System charging and methodology); or

(ii) in the case of connection, Connection Charges in accordance with paragraphs E11.2 and E11.8 of condition E11(Connection Charging Methodology);

~~(b)~~ that the performance by the licensee of its obligations under the agreement should not cause it to be in breach of those provisions referred to in paragraph E12.12 of condition E12 (Requirement to offer terms);

~~(c)~~ that the performance by any Transmission Licensee of its obligations under any Associated TO Agreement should not cause any Transmission Licensee to be in breach of those provisions referred to in paragraph 5 of standard condition D4A or E17 (Obligations in relation to offers for connection etc) of the Transmission Licence;

~~(d)~~ that the performance by another STC Party of its obligations under any Associated TO Agreement should not cause that STC Party to be in breach of the STC;

~~(e)~~ that any methods by which the National Electricity Transmission System is connected to any other system for the transmission or distribution of electricity accord (insofar as applicable to the licensee) with the Grid Code, the STC and the Distribution Code;

~~(f)~~ that the initial assumptions made (if any) by the licensee in accordance with paragraph E12.5(c) of condition E12 were reasonable; and

~~(g)~~ that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee in accordance with a request under condition E12 should be in as similar a form as is practicable.

Part B: Licensee's obligations

E13.3. If an application is made in accordance with paragraph E13.2, the licensee must:

~~(a)~~ notify the Authority of:

(i) any Associated TO Offer which relates to the agreement to be entered into which is the subject of that application;

(ii) any need for an Offshore Transmission Owner to be identified which relates to the agreement to be entered into which is the subject of that application;

(iii) any STC Party (other than a Transmission Licensee who has made a TO Offer) which the licensee knows or reasonably considers is or may be an affected STC Party for the purposes of the agreement to be entered into which is the subject of that application or any Associated TO Offer which relates to the agreement to be entered into;

~~(b)~~ notify each Transmission Licensee who has made an Associated TO Offer which relates to the agreement to be entered into and any other STC Party which the licensee knows or reasonably considers is or may be an affected STC Party for the purposes of the agreement to be entered into which is the subject of that application or any Associated TO Offer which relates to the agreement to be entered into, of such application; and

~~(c)~~ request that the Authority exercise its powers under section 7(3)(c) of the Electricity Act 1989 to:

(i) settle the terms of each Associated TO Offer which is affected by the Authority's determination made in accordance with paragraph E13.2 or paragraph E13.3(c); and

(ii) determine whether any TO Offer (other than those TO Offers (if any) which the licensee shall have notified to the Authority in accordance with paragraph E13.3(a)) is required in connection with the Authority's determination made in accordance with paragraph E13.2 or this paragraph E13.3(c).

E13.4. Insofar as any person entitled or claiming to be entitled to an offer under condition E12 wishes to proceed on the basis of an agreement as settled by the Authority in accordance with paragraph E13.2, the licensee must enter into such agreement.

Part C: Disputes related to Bilateral Agreements and Construction Agreements

E13.5. If in respect of any Bilateral Agreement or Construction Agreement entered into in accordance with condition E12 or this condition, either the licensee or other party to such agreement proposes to vary the contractual terms of such agreement in any manner provided for under such agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable.

E13.6. If a request is made in accordance with paragraph E13.5, the licensee must:

~~(a)~~ notify the Authority of any Associated TO Agreement which relates to the agreement which is the subject of that request;

~~(b)~~ notify each Transmission Licensee who is a party to an Associated TO Agreement notified to the Authority in accordance with paragraph E13.6(a); and

~~(c)~~ request that the Authority exercise its powers under section 7(3)(c) of the Electricity Act 1989 to settle the terms of each Associated TO Agreement which is affected by the Authority's determination made in accordance with paragraph E13.5.

Part D: Disputes related to Relevant Agreements

E13.7. Where the licensee is party to a Relevant Agreement for connection and/or Use of System which is other than in conformity with the CUSC, if either the licensee or other party to such agreement for connection and/or Use of System proposes to vary the contractual terms of such agreement in any manner provided for under such Relevant Agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable having (where relevant) regard to the consideration that the terms so settled are, in so far as circumstances allow, similar to the equivalent terms in the CUSC.

E13.8. If a request is made in accordance with paragraph E13.7, the licensee must:

~~(a)~~ notify the Authority of any Associated TO Agreement which relates to the agreement which is the subject of that request;

~~(b)~~ notify each STC Party who is a party to an Associated TO Agreement notified to the Authority in accordance with paragraph E13.8(a); and

~~(c)~~ request that the Authority exercise its powers under section 7(3)(c) of the Electricity Act 1989 to settle the terms of each Associated TO Agreement which is affected by the Authority's determination made in accordance with paragraph E13.7.

E13.9. If the licensee and a CUSC User or other person or party to a Relevant Agreement are in dispute as to whether:

~~(a)~~ Use of System Charges made, or to be made, conform with the statement of the Use of System Charges furnished under paragraphs 2(b) or 8 of condition C4 (Charges for use of system), condition C4A (Charges for use of the licensee's transmission system) or condition C7 (Charges for Use of System) (as appropriate) which applied or applies to the electricity transmission licence standard conditions in relation to the period in respect of which the dispute arises;

~~(b)~~ Connection Charges made, or to be made, conform with the statement of the Connection Charging Methodology furnished under paragraphs 4 or 10 of standard condition C6 (Connection charging methodology), standard condition C6A (E&W connection charging methodology) or standard condition C7B (Connection Charging Methodology) (as appropriate) which applied or applies to the electricity transmission licence standard conditions in relation to the period in respect of which the dispute arises,

such dispute may be referred to the Authority for determination whether, in the case of paragraph E13.9(a), the charges made, or to be made, conformed with the relevant statement furnished under condition C4 (Charges for use of system), condition C4A (Charges for use of the licensee's transmission system) or condition C7 (Charges for Use of System) (as appropriate), or whether, in the case of paragraph E13.9(b), the charges conformed with the relevant methodology.

E13.10. For the purposes of paragraph E13.9 of this condition only, the following words shall, unless the context otherwise requires, have the meaning ascribed to that term in the electricity transmission licence standard conditions which applied or applies in relation to the period in respect of which the dispute arises:

~~(a)~~ Connection Charges;

~~(b)~~ Connection Charging Methodology; and

~~(c)~~ Use of System Charges.

Condition E14 Energy administration, energy supply company administration and smart meter communication licensee administration: Electricity System Operator shortfall contribution obligations

Introduction

E14.1. The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges it imposes when carrying on its licensed activities and to raise such amounts as are specified by the Secretary of State in a Shortfall Direction:

~~(a)~~ from the persons; and

~~(b)~~ in the manner,

specified in such Shortfall Direction, and to pay such amounts to the Shortfall Payment Recipients specified in the Shortfall Direction.

Part A: Specifying Shortfall Directions

E14.2. Where there is a shortfall during or at the completion of an energy administration, energy supply company administration or smart meter communication licensee administration, the Secretary of State, after consultation with the Authority and the licensee, may issue one or more Shortfall Directions (including one or more Shortfall Direction to modify or replace any previously issued Shortfall Direction) to the licensee specifying:

~~(a)~~ the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in paragraph E14.2(f));

~~(b)~~ the amount to be raised by the licensee and applied in making good the shortfall;

~~(c)~~ the Shortfall Payment Recipients to whom the amount referred to in paragraph E14.2(b) is to be paid;

~~(d)~~ the rate or rates of interest applicable to any part or parts of the amount referred to in paragraph E14.2(b), and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;

~~(e)~~ the method or methods by which the licensee may raise the amount referred to in paragraph E14.2(b) (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee's normal billing cycle);

~~(f)~~ the date by which the licensee is required to pay the Shortfall Payment Recipients the amount referred to in paragraph E14.2(b) (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);

~~(g)~~ where the shortfall includes relevant debts owed to more than one Shortfall Payment Recipient, the priority in which the amount referred to in paragraph E14.2(b) is to be applied in discharging those debts;

~~(h)~~ the extent to which a subsequent Shortfall Direction modifies or replaces a previously issued Shortfall Direction;

~~(i)~~ where a Shortfall Direction is to modify or replace any previously issued Shortfall Direction, where appropriate, a requirement not to modify charges further in accordance with paragraph E14.5;

~~(j)~~ the Permitted Administration Fee and the manner in which the Permitted Administration Fee is to be raised;

and the licensee must comply with any such Shortfall Direction.

Part B: Compliance with the Shortfall Direction

E14.3. As soon as reasonably practicable after receiving a Shortfall Direction, the licensee must:

~~(a)~~ modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the Shortfall Direction (including, at the licensee's discretion, any Permitted Administration Fee); and

~~(b)~~ notify the persons who are subject to the charges so modified of:

(i) the modifications made to the charges;

(ii) any modification to the date or time period within which such charges must be paid;

(iii) the reason for those modifications; and

(iv) the interest rate applicable to late payment of such modified charges.

E14.4. The licensee must on or before the date (or dates) specified in the Shortfall Direction pay the amount raised under paragraph E14.3(a) (excluding any Permitted Administration Fee) to the Shortfall Payment Recipients, in accordance (where applicable) with any priority set out in the Shortfall Direction, and the licensee shall not at any time be under any liability:

~~(a)~~ to make any payments to any Shortfall Payment Recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received in accordance with the modification of its charges in accordance with this condition (excluding any Permitted Administration Fee); or

~~(b)~~ to pay interest to any Shortfall Payment Recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of monies to the licensee.

E14.5. Save where the Secretary of State specifies otherwise in a Shortfall Direction modifying or replacing a previously issued Shortfall Direction, if the amount raised by the licensee under paragraph E14.3(a) (excluding any Permitted Administration Fee):

~~(a)~~ is less than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee must:

(i) as soon as reasonably practicable, modify its charges (in accordance with any method or methods specified in the Shortfall Direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the Shortfall Direction; and

(ii) pay that amount to the Shortfall Payment Recipients as soon as reasonably practicable but otherwise in accordance with the Shortfall Direction; or

~~(b)~~ is more than the amount the licensee is obliged to raise by the Shortfall Direction to be applied in making good the shortfall, the licensee must, as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of the excess together with any accrued interest thereon.

E14.6. For the purposes of paragraph E14.3(a) and E14.5:

~~(a)~~ the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence and/or the CUSC and any charges levied by the licensee after modification in accordance with paragraph E14.3(a) or E14.5 of this condition shall be deemed to be compliant with the licensee's obligations under Condition E10 (Use of System charging and methodology) as from time to time amended;

~~(b)~~ the licensee must not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and must take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and

~~(c)~~ in modifying its charges for the purposes of this condition the licensee must not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences

between such persons or classes of persons or such differences in charges are required to give effect to the Shortfall Direction.

E14.7. The licensee must, immediately after making any payment under paragraphs E14.4 or E14.5, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the Shortfall Payment Recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.

E14.8. In calculating the licensee's revenue during any period for the purposes of any Charge Restriction Condition, any change in the licensee's revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.

E14.9. The licensee must prepare, in respect of each Financial Year in which its charges are modified in pursuance of paragraph E14.3(a) or E14.5, a statement showing:

~~(a)~~ the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph E14.3(a);

~~(b)~~ the aggregate amount of its revenue derived from any modification to charges in pursuance of paragraph E14.5(a);

~~(c)~~ the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of paragraph E14.5(b); and

~~(d)~~ the aggregate payments made by the licensee during that Financial Year in accordance with paragraph E14.4 and, where applicable, paragraph E14.5(a),

and must give the statement to the Authority within 4 months of the expiration of the period to which it relates.

E14.10. On giving the statement mentioned in paragraph E14.9 to the Authority, the licensee must also publish it on its website.

E14.11. In this condition:

~~(a)~~ any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;

~~(b)~~ any words or expressions used in Chapter 5 of Part 2 of the Energy Act 2011 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;

~~(c)~~ any words or expressions used in the Smart Meters Act 2018 shall, unless the contrary intention appears, have the same meaning as they do in that Act when used in this condition;

Condition E15 : Gate 2 Criteria Methodology

Introduction

E15.1. The purpose of this condition is to set out the obligations of the ISOP in relation to the Gate 2 Criteria Methodology. These include:

~~(a)~~ in Part A, the objectives of the Gate 2 Criteria Methodology and the requirement that the ISOP create the Gate 2 Criteria Methodology;

~~(b)~~ in Part B, the requirement to produce and update the Gate 2 Criteria Methodology;

~~(c)~~ in Part C, the approval process for the initial development and further modification of the Gate 2 Criteria Methodology; and

~~(d)~~ in Part D, the publication of the Gate 2 Criteria Methodology.

Part A: Requirement to create the Gate 2 Criteria Methodology

E15.2. The Gate 2 Criteria Methodology must:

~~(a)~~ set out the Gate 2 Criteria which are to be used to determine if an application for connection receives an offer in accordance with E12.3.

~~(b)~~ meet the following objectives that the Authority will assess as part of approval in accordance with E15.4:

(i) is clear, transparent, and objective;

(ii) facilitates a net zero energy system;

(iii) takes into consideration the Strategic Plan;

(iv) takes into consideration the readiness of applicants to connect; and

(v) facilitates a safe and secure electricity supply.

Part B: Requirement to produce and update the Gate 2 Criteria Methodology

E15.3. The ISOP is required to produce the Gate 2 Criteria Methodology document and submit it to the Authority for approval in accordance with Part C. The Gate 2 Criteria Methodology document must set out:

~~(a)~~ the Gate 2 Criteria;

~~(b)~~ the forms of evidence which each applicant for a connection must submit to demonstrate that they have met the Gate 2 Criteria; and

~~(c)~~ the process to be followed to verify the evidence submitted by applicants and confirm that their application has met the Gate 2 Criteria.

E15.4. The ISOP must at all times have in force the Gate 2 Criteria Methodology which the Authority has approved on the basis that it achieves the objectives in E15.2(b) of this condition.

E15.5. The ISOP is required to review the Gate 2 Criteria Methodology at least once in every 12-month period to ensure that it is enabling the objectives set out in E15.2(b) to be met.

E15.6. The ISOP is required to submit a statement to the Authority following from its review of the Gate 2 Criteria Methodology under E15.5 stating whether an update is required.

E15.7. A statement to the Authority under E15.6 identifying whether updates are required to the Gate 2 Criteria Methodology must specify:

~~(a)~~ whether an update is required with reference to the objectives in E15.2(b); and

~~(b)~~ the timetable for, consulting on the Gate 2 Criteria Methodology and any proposed changes; and

~~(c)~~ the timetable for developing and implementing the proposed changes.

E15.8. The Authority may at any point instruct the ISOP to update the Gate 2 Criteria Methodology, if it determines that the objectives set out in E15.2(b) are not being met. In this event the ISOP must follow paragraphs E15.9 to E15.13 below and the timetable provided by the Authority.

E15.9. During any review as specified in E15.5 or E15.8 of the Gate 2 Criteria Methodology, unless otherwise agreed with the Authority the ISOP must consult:

~~(a)~~ the Authority;

~~(b)~~ the Secretary of State; and

~~(c)~~ other parties interested in the development of the Gate 2 Criteria Methodology.

E15.10. The consultations in accordance with paragraph E15.9 must be in such form and of sufficient duration as to reasonably allow all parties to provide appropriate representations. The duration of the consultation must be no fewer than 28 calendar days, unless otherwise agreed with the Authority.

Part A: The Approval Process for initial production and further modification of the Gate 2 Criteria Methodology

E15.11. Within 60 days following the consultation (as per E15.9), the ISOP must submit to the Authority for approval the Gate 2 Criteria Methodology with any amendments to it with the statement referred to in E15.7 justifying the ISOP's proposal.

E15.12. Submissions made under paragraph E15.11 must include:

~~(a)~~ a detailed explanation of the consultation process undertaken in the development or amendment of the Gate 2 Criteria Methodology;

~~(b)~~ a summary of views submitted by parties in the consultation responses and an explanation of how these were considered in the development or amendment of the Gate 2 Criteria Methodology;

~~(c)~~ copies of any formal responses submitted to the ISOP as part of the consultation process; and

~~(d)~~ an assessment of how the Gate 2 Criteria Methodology facilitates or in the case of subsequent amendments better facilitate the objectives set out in E15.2(b).

E15.13. The Authority will evaluate the Gate 2 Criteria Methodology and any subsequent amendments to it, as relevant, against the objectives set out in E15.2(b).

E15.14. The Authority may on receipt of a submission under paragraph E15.11 either:

~~(a)~~ approve the content and form of the proposed Gate 2 Criteria Methodology; or

~~(b)~~ reject the content and form of the proposed Gate 2 Criteria Methodology. In such circumstances the Authority may, at its discretion, give a direction to the ISOP, including on whether any further consultation is required as per paragraph E15.9, that the Gate 2 Criteria Methodology requires further development and specify the date by which the ISOP is required to submit a revised Gate 2 Criteria Methodology to the Authority for approval.

E15.15. The requirements of Parts B and C of this licence condition may be satisfied by actions taken by the licensee and the Authority before or after this licence condition comes into effect.

Part B: Publication of the Gate 2 Criteria Methodology

E15.16. The effective implementation date of the Gate 2 Criteria Methodology or any subsequent amendments to it will be set out by the Authority in its approval decision. The ISOP must publish the Gate 2 Criteria Methodology on its website by the date specified by the Authority in its approval decision.

Condition E16 : Connections Network Design Methodology

Introduction

E16.1. The purpose of this condition is to set an obligation on the ISOP to coordinate and cooperate with the Transmission Licensees and Authorised Distributors in order to develop the Connections Network Design Methodology. This includes:

~~(a)~~ in Part A, the objectives of the Connections Network Design Methodology and the requirement to create the Connections Network Design Methodology;

~~(b)~~ in Part B, the requirement to produce and update the Connections Network Design Methodology;

~~(c)~~ in Part C, the approval process for initial development and further modification of the Connections Network Design Methodology; and

~~(d)~~ in Part D, the publication of the Connections Network Design Methodology.

Part A: Requirements to create the Connections Network Design Methodology

E16.2. The ISOP is required to produce the Connections Network Design Methodology document and submit this to the Authority for approval. The Connections Network Design Methodology document must set out:

~~(a)~~ the process that the ISOP, Transmission Licensees and Authorised Distributors will follow when preparing offers to enter into or modify a relevant Bilateral Agreement and/or a Construction Agreement in accordance with the obligations in their respective licences, CUSC, Connections Methodologies and STC;

~~(b)~~ the process that the ISOP, Transmission Licensees and Authorised Distributors will follow when assessing how applications to connect interact with network planning, the Strategic Plan, and identify opportunities for anticipatory investment produced in accordance with the obligations in their respective licences, CUSC, Connections Methodologies and STC;

~~(c)~~ the process that the ISOP, Transmission Licensees and Authorised Distributors will follow when re-assessing Bilateral Agreements and/or a Construction Agreement (and a CUSC Framework Agreement if not already a party to CUSC) following advancement requests or terminations of other Bilateral Agreements and/or a Construction Agreement (and a CUSC Framework Agreement if not already a party to CUSC) in accordance with the obligations in their respective licences, CUSC, Connections Methodologies and STC.

E16.3. The Connections Network Design Methodology must meet the following objectives that the Authority will assess as part of approval in accordance with E16.13:

(i) be clear, transparent, and objective;

(ii) facilitate a net zero energy system;

(iii) facilitate an economic, consistent, efficient, sustainable and coordinated network;

(iv) facilitate appropriate anticipatory investment;

(v) take into consideration the readiness of applicants to connect; and

(vi) facilitate a safe and secure electricity supply.

Part B: Requirement to produce and update the Connections Network Design Methodology

E16.4. The ISOP must at all times have in force the Connections Network Design Methodology which the Authority has approved on the basis that it achieves the objectives in E16.3 of this condition.

E16.5. The ISOP is required to review the Connections Network Design Methodology at least once in every 12 months period to ensure that it is enabling the objectives set out in E16.3 to be met.

E16.6. The ISOP is required to submit a statement to the Authority following from its review of the Connections Network Design Methodology under E16.5 stating whether an update is required.

E16.7. A statement to the Authority under E16.6 identifying whether updates are required to the Connections Network Design Methodology must specify:

~~(a)~~ whether an update is required with reference to the objectives in E16.3; and

~~(b)~~ the timetable for, consulting on, the CNDM and any proposed changes; and

~~(c)~~ the timetable for developing and implementing any proposed changes.

E16.8. The Authority may at any point instruct the ISOP to update the Connections Network Design Methodology, if it determines that the objectives set out in E16.3 are not being met. In this event the ISOP must follow paragraphs E16.9 to E16.13 below and the timetable provided by the Authority.

E16.9. During any review as specified in E16.5 or E16.8 of the Connections Network Design Methodology, unless otherwise agreed with the Authority, the ISOP must consult:

~~(a)~~ the Authority;

~~(b)~~ the Secretary of State; and

~~(c)~~ other parties interested in the development of the Connections Network Design Methodology.

E16.10. The consultation in accordance with paragraph E16.9 must be in such form and of sufficient duration as to reasonably allow all parties to provide appropriate representations. The duration of the consultation must be no fewer than 28 calendar days, unless otherwise agreed with the Authority.

Part C: The Approval Process for initial production and further modification of the Connections Network Design Methodology

E16.11. Within 60 days following the consultation (as per E16.9 and E16.10), the ISOP must submit to the Authority for approval the Connections Network Design Methodology with any amendments to it with the statement referred to in E16.7 justifying the ISOP's proposal.

E16.12. Submissions made under paragraph E16.11 must include:

~~(a)~~ a detailed explanation of the consultation process undertaken in the development or amendment of the Connections Network Design Methodology;

~~(b)~~ a summary of views submitted by parties in the consultation responses and an explanation of how these were considered in the development or amendment of the Connections Network Design Methodology;

~~(c)~~ copies of any formal responses submitted to the ISOP as part of the consultation process; and

~~(d)~~ an assessment of how the Connections Network Design Methodology facilitates or in the case of subsequent amendments better facilitate the objectives set out in E16.3.

E16.13. The Authority will evaluate the Connections Network Design Methodology and any subsequent amendments to it, as relevant, against the objectives set out in E16.3.

E16.14. The Authority may on receipt of a submission under paragraph E16.11 either:

~~(a)~~ approve the content and form of the proposed Connections Network Design Methodology; or

~~(b)~~ reject the content and form of the proposed Connections Network Design Methodology. In such circumstances the Authority may, at its discretion, give a direction to the ISOP, including on whether further consultation is required as per paragraph E16.9 that the Connections Network Design Methodology requires further development and specify the date by which the ISOP is required to submit a revised Connections Network Design Methodology to the Authority for approval.

E16.15. The requirements of Parts B and C of this licence Condition E16 may be satisfied by actions taken by the licensee and the Authority before or after this licence condition comes into effect.

Part D: Publication of Connections Network Design Methodology

E16.16. The effective implementation date of the Connections Network Design Methodology or any subsequent amendments to it will be set out by the Authority in its approval decision. The ISOP must publish the Connections Network Design Methodology on its website by the date specified by the Authority in its approval decision.

Condition E17 : Project Designation Methodology

Introduction

E17.1. The purpose of this condition is to set out the obligations of the ISOP in relation to a Project Designation Methodology. This includes:

~~(a)~~ In Part A, the purpose of Project Designation Methodology;

~~(b)~~ in Part B, the requirement to produce and update the Project Designation Methodology;

~~(c)~~ in Part C, the approval process for initial development and further modification of the Project Designation Methodology; and

~~(d)~~ in Part D, the publication of the Project Designation Methodology.

Part A: Purpose of Project Designation Methodology

E17.2. The Project Designation Methodology is used to identify applications for connection that will be subject to special conditions and processes as set out in the CUSC and the Connections Methodologies when the ISOP is offering to enter into or modify a relevant Bilateral Agreement and/or Construction Agreement.

E17.3. The ISOP may designate an application for connection where it is satisfied that it meets one or more of the following Designation Criteria:

~~(a)~~ projects that are critical to security of supply;

~~(b)~~ projects that are critical to system operation;

~~(c)~~ projects that materially reduce system and/or network constraints and/or associated costs;

~~(d)~~ projects that are new technologies and/or highly innovative, that are not included within the scope of the pathways in the Strategic Plan;

~~(e)~~ projects with very long lead times (i.e. long design, consenting and construction periods) that may be needed beyond the 2035 pathway within the Strategic Plan; or

~~(f)~~ projects not meeting (a)-(e) above as agreed with the Authority and as included in an update to the Project Designation Methodology in accordance with E17.16.Part C:

E17.4. When designating an application for connection unless otherwise agreed in advance with the Authority, the ISOP must:

(a) Publicly consult for a minimum of 28 calendar days, clearly setting out the application for connection it is minded to designate and the reasons it is designating it with reference to the Designation Criteria, and the impacts of the designation it is minded to make.

(b) After the consultation publish on its website its decision to designate an application for connection, the name of the applicant, and the reasons it is

making the designation, with reference to the Designation Criteria, and the impacts of the designation.

E17.5. Any decisions made by the ISOP to designate an applicant for connection must be submitted to the Authority for approval.

E17.6. Within 28 calendar days of receipt of the submission under paragraph E17.5, the Authority will determine whether to reject the designated applicant in the submission. In such circumstances the Authority may, at its discretion, give a direction to the ISOP, if more information is required regarding the relevant application or if the decision is final.

E17.7. If, within 28 calendar days of receipt of the submission under paragraph E17.5, the Authority has not decided that it will reject the applicant for designation in the ISOP submission or given a direction to the licensee in accordance with paragraph E17.6, the designated applicant proposed by the ISOP can be deemed to be approved by the Authority.

Part B: Requirement to produce and update Project Designation Methodology

E17.8. The ISOP must at all times have in force the Project Designation Methodology which the Authority has approved on the basis that it achieves the objectives in E17.10 of this condition.

E17.9. The ISOP is required to produce the Project Designation Methodology document and submit it to the Authority for approval in accordance with Part C. The Project Designation Methodology document must set out:

~~(a)~~ the Designation Criteria;

~~(b)~~ the information and evidence the ISOP require from applicants to connect or CUSC Users in order to assess whether they meet the Designation Criteria;

~~(c)~~ the process which the ISOP will follow when assessing whether an application for connection or modification is eligible for designation as per the requirements in E17.3;

~~(d)~~ the process the ISOP will follow to verify the evidence submitted by applicants to connect or CUSC Users in order to confirm whether it correctly evidences that the Designation Criteria have been met; and

~~(e)~~ the disputes process for applicants who wish to challenge a designation decision

E17.10. The Project Designation Methodology must meet the following objectives that the Authority will assess as part of approval in accordance with E17.19:

~~(a)~~ is clear, transparent, and objective;

~~(b)~~ provide a basis to effectively assesses applicants and CUSC Users against the Designation Criteria;

~~(c)~~ facilitates a safe and secure electricity supply;

~~(d)~~ considers the impact on consumers;

~~(e)~~ facilitates innovation and competition in electricity markets; and

~~(f)~~ takes into consideration the Strategic Plan.

E17.11. The ISOP is required to review the Project Designation Methodology at least once in every 12-month period to ensure that it is enabling the objectives set out in E17.10.

E17.12. The ISOP is required to submit a statement to the Authority following from its review of the Project Designation Methodology E17.11 stating whether an update is required.

E17.13. A statement under E17.12 identifying that significant updates are required to the Project Designation Methodology must specify:

~~(a)~~ whether an update is required with reference to the objectives in E17.10; and

~~(b)~~ the timetable for, consulting on the Project Designation Methodology and any proposed changes; and

~~(c)~~ the timetable for developing and implementing any proposed changes.

E17.14. The Authority may at any point instruct the ISOP to update the Project Designation Methodology, if it determines that the objectives set out in E17.10 are not being met. In this event the ISOP must follow paragraphs E17.15 up to E17.18 below and the timetable provided by the Authority.

E17.15. During the any review as specified in E17.11 or E17.14 of the Project Designation Methodology, unless otherwise agreed with the Authority, the ISOP must consult:

~~(a)~~ the Authority;

~~(b)~~ the Secretary of State; and

~~(c)~~ other parties interested in the development of the Project Designation Methodology.

E17.16. The consultation in accordance with paragraph E17.15 must be in such form and of sufficient duration to reasonably allow all parties to provide appropriate representations. The duration of the consultation must be no fewer than 28 calendar days, unless otherwise agreed with the Authority.

Part C: The Approval Process for initial production and further modification of the Project Designation Methodology

E17.17. Within 60 days following the consultation (as per E17.15 and E17.16), the ISOP must submit to the Authority for approval the Project Designation Methodology with any amendments to it, with the statement referred to in E17.13 justifying the ISOP's proposal.

E17.18. Submissions made under paragraph E17.17 must include:

~~(a)~~ a detailed explanation of the consultation process undertaken in the development or amendment of the Project Designation Methodology;

~~(b)~~ a summary of views submitted by parties in the consultation responses and an explanation of how these were considered in the development or amendment of the Project Designation Methodology;

~~(c)~~ copies of any formal responses submitted to the licensee as part of the consultation process; and

~~(d)~~ an assessment of how the Project Designation Methodology facilitates or in case of subsequent amendments better facilitate, the objectives as set out in E17.10.

E17.19. The Authority will evaluate the Project Designation Methodology and any subsequent amendments to it, as relevant, against the objectives set out in E17.10.

E17.20. The Authority may on receipt of a submission under paragraph E17.17 either:

~~(a)~~ approve the content and form of the proposed Project Designation Methodology; or

~~(b)~~ reject the content and form of the proposed Project Designation Methodology. In such circumstances the Authority may, at its discretion, give a direction, including on whether further consultation is required as per paragraph E17.15 to the ISOP that the Project Designation Methodology requires further development, and specify the date by which the ISOP is required to submit a revised Project Designation Methodology to the Authority for approval.

E17.21. The requirements of Parts B and C of this licence condition E17 may be satisfied by actions taken by the licensee and the Authority before or after this licence condition comes into effect.

Part D: Publication of Project Designation Methodology

E17.22. The effective implementation date of the Project Designation Methodology or any subsequent amendments to it will be set out by the Authority in its approval decision. The ISOP must publish the Project Designation Methodology on its website by the date specified by the Authority in its approval decision.

Section F: Finance and funding arrangements

Condition F1 Expenditure and allowed revenue

Introduction

F1.1. The purpose of this condition is to establish requirements on the licensee in relation to:

~~(a)~~ the licensee's expenditure;

~~(b)~~ the licensee's allocation of Electricity Licence Expenditure and Gas Licence Expenditure; and

~~(c)~~ the total revenue that may be collected by the licensee for a Regulatory Year through Balancing Services Charges.

Part A: Requirements on ISOP expenditure

F1.2. Unless the Authority consents otherwise, the licensee must only seek to incur expenditure which is for the purposes of carrying out the ISOP Business.

F1.3. The licensee must, when incurring Internal Expenditure in a Regulatory Year, ensure that it can demonstrate that it has had regard to any relevant Plan Determination made by the Authority in accordance with condition G1 (Business Plan), including but not limited to, any determination by the Authority that the licensee must:

~~(a)~~ deliver a specific activity or set of activities at a different cost than proposed by the licensee in its Business Plan; or

~~(b)~~ not carry out an activity at all.

F1.4. The licensee must take all reasonable steps to ensure that it incurs no expenditure which is demonstrably uneconomical, wasteful or inefficient, provided that for these purposes:

~~(a)~~ behaviours of the licensee which might lead to expenditure, which is demonstrably uneconomical, wasteful or inefficient include (without limitation):

(i) an active commitment to expenditure which serves no evident purpose or benefit for carrying out the ISOP Business;

(ii) an active commitment to expenditure which is evidently excessive considering the other options available to the licensee;

(iii) a failure to keep regular expenditure under review which, as a consequence, means the licensee is unable to identify where action is required to better allocate its resources and mitigate the risk of excessive future expenditure;

(iv) a failure to act in reasonable timeframes in response to situations where there is known risk of excessive expenditure materialising;

(v) a failure to assess the economic value of alternative options, or have regard to the relative impact on energy consumers of alternative options, before committing to Material Investments;

(vi) a failure to follow robust decision-making and governance processes for Material Investments;

(vii) a failure to have robust processes for procuring services from external providers;

(viii) a failure to manage and oversee the delivery of services by an external provider or take action to address inadequate service provision; and

(ix) where reckless or irrational actions of the licensee have caused successful legal awards against the licensee;

~~(b)~~ not used; and economy, efficiency and wastefulness will be considered on the basis of the knowledge and the information that should have been reasonably available to the licensee at the time of incurring the expenditure.

F1.5. The Authority may issue a Cost Efficiency Notice to the licensee where the Authority considers it requires further information in relation to the licensee's compliance with paragraph F1.4 in relation to a specified activity or a specified expenditure.

F1.6. As soon as reasonably practical after receiving a Cost Efficiency Notice, the licensee must share with the Authority a written explanation for how it has met its obligations under paragraph F1.4 for the activities or expenditure stated by the Authority in the Cost Efficiency Notice.

F1.7. The Authority may also request that the licensee submits to it a Cost Efficiency Plan containing the information in paragraph F1.8.

F1.8. As soon as reasonably practical after receiving a request from the Authority under paragraph F1.7, the licensee must submit to the Authority a Cost Efficiency Plan, which must outline in writing any actions or measures the licensee is taking to ensure compliance with its obligations under paragraph F1.4 for a specified activity or for specified expenditure, at all times from the point of the submission.

Part B: Allocation of revenues between licences

F1.9. The licensee must use best endeavours to ensure there is no double recovery of expenditure through Balancing Services Charges under Part C of this condition and through charges under condition F1 (Gas revenue calculations and notification process) of the Gas System Planner Licence, by allocating its total expenditure as either Electricity Licence Expenditure or Gas Licence Expenditure.

F1.10. By no later than 31 October 2024, or another date agreed with the Authority, the licensee must submit to the Authority a Total Cost Allocation Methodology that sets out the principles and procedures for how the licensee will allocate its

total expenditure as either Electricity Licence Expenditure or Gas Licence Expenditure.

F1.11. On receipt of the proposed Total Cost Allocation Methodology provided for in paragraph F1.10, or any proposed revision, as provided for in paragraph F1.13, the Authority will:

~~(a)~~ approve the Total Cost Allocation Methodology and notify the licensee of approval; or

~~(b)~~ give a direction to the licensee that the Total Cost Allocation Methodology requires further development and the date by which the licensee is required to submit a revision to the Authority for approval.

F1.12. Following the Authority's approval under paragraph F1.11, the licensee must:

~~(a)~~ unless the Authority otherwise consents or directs, at all times comply with the Total Cost Allocation Methodology;

~~(b)~~ at least once in every 12 months, or at such other interval as the Authority may direct, review the Total Cost Allocation Methodology and revise it as necessary, including when circumstances change such that the methodology would no longer lead to a reflective allocation of Electricity Licence Expenditure and Gas Licence Expenditure.

F1.13. The licensee must submit any revisions made to the Total Cost Allocation Methodology to the Authority and any revisions will only become effective once the Authority has approved them, in accordance with paragraph F1.11.

F1.14. The licensee must publish a copy of the Total Cost Allocation Methodology and each revision on its website within a period of 15 Working Days beginning with the date of its approval by the Authority.

Part C: Total allowed revenue

F1.15. The licensee must set Balancing Services Charges in a manner calculated to ensure it does not make or incur a lasting financial profit or loss (which for these purposes does not include financial surpluses and deficits resulting from differences between the licensee's collected revenues from previously forecasted ESO Allowed Revenue and final ESO Allowed Revenue), excluding:

~~(a)~~ revenue collected with respect to RAV Returns; and

~~(b)~~ any charge adjustments needed to reflect financial surpluses or deficits that arose under the Transmission Licence held by the licensee immediately prior to the designation of the ISOP and this licence coming into effect.

F1.16. The licensee must, when setting Balancing Services Charges, use best endeavours to ensure that revenue collected from such charges for the Regulatory Year (after deduction of value added tax (if any) and any other taxes charged directly by reference to the amounts so collected) is consistent with its

most recent forecast of the ESO Allowed Revenue term ($ESOAR_t$) derived in accordance with the following formula:

$$ESOAR_t = INT_t + EXT_t + RTN_t$$

Where:

INT_t has the value derived in accordance with Part D.

EXT_t has the value derived in accordance with Part E.

RTN_t has the value derived in accordance with Part F

Part D: Internal Expenditure

F1.17. The value of INT_t is derived in accordance with the following formula:

$$INT_t = INTE_t + INTADJ_t$$

Where:

$INTE_t$ means all Internal Expenditure incurred by the licensee and is derived in accordance with paragraph F1.18.

$INTADJ_t$ means adjustments to charges to reconcile differences between charges set for forecast Internal Expenditure and actual Internal Expenditure and is derived in accordance with paragraph F1.21.

F1.18. The value of $INTE_t$ is derived in accordance with the following formula:

$$INTE_t = ETE_t + OSC_t - OR_t + LEG_t + OA_t$$

Where:

ETE_t means all expenditure incurred by the licensee in undertaking its business, excluding Gas Licence Expenditure, External Expenditure and any expenditure recovered under OSC_t.

OSC_t means other specific cost categories and is derived in accordance with paragraph F1.19.

OR_t means net revenues received by the licensee separately from Balancing Services Charges or Transmission Network Charges, including but not limited to the Administration Allowance derived under condition F8 (Assistance for Areas with High Distribution Costs Scheme (AAHDCS)) and other net revenues received for services provided by the licensee for the specific benefit of any third party.

LEG_t means adjustment to charges in relation to Legacy Revenues and is calculated in line with the method in the NESO Financial Handbook.

OA_t means the amount needed to adjust charges to ensure the licensee discharges its obligations in accordance with paragraph F1.15.

F1.19. The value of OSC_t is derived in accordance with the following formula:

$$OSC_t = NIA_t + TAX_t + SOBD_t + FSONG_t + FPEN_t + ESOI_t$$

Where:

$NIAE_t$ means the combined expenditure on RIIO-3 NIA Projects and Eligible CNIA Projects and is calculated in accordance with Part A of condition F2 (Innovation Funding).

TAX_t means the corporation tax amount to be recovered in line with the requirements in the NESO Financial Handbook.

$SOBD_t$ means the aggregate value of SO Bad Debt that has been incurred by the licensee and is derived in accordance with paragraph F1.20.

$FSONG_t$ means the payments from the licensee to National Grid plc or its Affiliates or Related Undertakings for FSO Transition Activities which are in accordance with condition F10 (ISOP implementation funding).

$FPEN_t$ means the aggregate value of financial fines, penalties, settlements or damages paid as a result of claims (or any similar action) by third parties or through enforcement action by the Authority or any other governmental or regulatory agency, where this results in a financial deficit the licensee needs to recover in order to meet its obligations pursuant to paragraph F1.15.

$ESOI_t$ means net interest amounts, bank charges or working capital fees incurred by the licensee in line with the guidance in the NESO Financial Handbook.

F1.20. The value of $SOBD_t$ is derived in accordance with the following formula:

$$SOBD_t = SOBDA_t - SORBD_t$$

Where:

$SOBDA_t$ means the aggregate value of SO Bad Debt the licensee has incurred or expects to incur with respect to Balancing Services Charges owed to the licensee by one or more Defaulting Connection and Use of System Code Parties; and

$SORBD_t$ means the aggregate value of SO Bad Debt previously recovered by the licensee via the $SOBDA_t$ term, where the licensee has received payment through either the Defaulting Connection and Use of System Code Party or been credited by the administrator or liquidator of a Defaulting Connection and Use of System Code Party.

F1.21. The value of $INTADJ_t$ is derived in accordance with the following formula:

$$INTADJ_t = INT_{t-1} - INT^*_{t-1}$$

Where:

INT_t has the meaning in paragraph F1.17.

INT_t^* means the total revenue allocated to Internal Expenditure in line with the licensee's published NESO Financial Model.

Part E: External Expenditure

F1.22. The value of EXT_t is derived in accordance with the following formula:

$$EXT_t = EXTE_t + EXTK_t$$

Where:

$EXTE_t$ means all External Expenditure incurred by the licensee as derived in accordance with paragraph F1.23.

$EXTK_t$ means adjustments to charges to reconcile differences between revenue collected through Balancing Services Charges and actual ESO Allowed Revenue, excluding adjustments made under $INTADJ_t$ and $RTNADJ_t$, as derived in accordance with paragraph F1.25.

F1.23. The value of $EXTE_t$ is derived in accordance with the following formula:

$$EXTE_t = BS_t - OM_t + SOTO_t$$

Where:

BS_t means total net expenditure the licensee has incurred for the procurement of Balancing Services, excluding any expenditure recoverable under $SOTO_t$.

OM_t means the amount received through agreements with a Supplier or Network Operator to support the stability of a User System minus the costs of providing such services.

$SOTO_t$ means total costs of payments to Transmission Owners and Offshore Transmission Owners for Outage Changes and Commercial Operational Services.

F1.24. The licensee must notify the Authority in writing if it considers that either the cost of an individual project which is part of Commercial Operational Services, or the total cost of Commercial Operational Services across all Transmission Owners and Offshore Transmission Owners during any Regulatory Year, should be or will be greater than the SO-TO Commercial Threshold. The notification should include:

~~(a)~~ a summary of the underlying reasons;

~~(b)~~ latest estimates for total expenditure on Commercial Operational Services during the relevant Regulatory Year and (where applicable) cost forecasts for any individual project which is expected to exceed the SO-TO Commercial Threshold;

~~(c)~~ confirmation by the licensee that this expenditure is in line with the requirements in the System Owner - Transmission Owner Code;

~~(d)~~ an explanation of how expenditure above the SO-TO Commercial Threshold will provide benefits to existing and future energy consumers in Great Britain.

F1.25. The value of $EXTK_t$ is derived in accordance with the following formula:

$$EXTK_t = EXT_{t-1} - REVC_{t-1}$$

Where:

EXT_t has the meaning in paragraph F1.22.

$REVC_t$ means total revenue collected through Balancing Services Charges minus INT_t^* and RTN_t^*.

Part F: Return on capital and depreciation of RAV

F1.26. The value of RTN_t is derived in accordance with the following formula:

$$RTN_t = RTNO_t + RTNADJ_t$$

Where:

$RTNO_t$ means RAV Returns and is calculated in accordance with paragraph F1.27.

$RTNADJ_t$ means adjustments to charges to reconcile differences between charges set for expected RAV Returns and actual RAV Returns as derived in paragraph F1.28.

F1.27. The value of $RTNO_t$ is derived in accordance with the following formula:

$$RTNO_t = DPN_t + (RAV_t \times DR_t)$$

Where:

DPN_t means regulatory depreciation of the ISOP Regulatory Asset Value which is calculated in accordance with the methodology and price indexation approach in the NESO Financial Handbook.

RAV_t means the value of the ISOP Regulatory Asset Value after depreciation and has the value calculated in accordance with the methodology and price indexation approach in the NESO Financial Handbook.

DR_t means the discount rate and is equal to 3.5% in real price terms as applied in accordance with the methodology in the NESO Financial Handbook.

F1.28. The value of $RTNADJ_t$ is derived in accordance with the following formula:

$$RTNADJ_t = RTN_{t-1} - RTN^*_{t-1}$$

Where:

RTN_t has the meaning in paragraph F1.26.

RTN^*_t means the total revenue allocated to RAV Returns in line with the licensee's published NESO Financial Model.

F1.29. The Authority will direct revisions to the ISOP Regulatory Asset Value following implementation of closeout methodologies set out in the NESO Financial Handbook.

Condition F2 Innovation funding

Introduction

F2.1. The purpose of this condition is to establish arrangements for the calculation of revenues with respect to the Network Innovation Allowance (NIA) and Strategic Innovation Fund (SIF). This includes:

~~(a)~~ requirements with respect to the calculation of the licensee's Total NIA Expenditure ($NIAE_t$) and Total CNIA Expenditure ($ECNIA_t$) which feed into the calculation of NIA_t and the ESO Allowed Revenue term in condition F1 (Expenditure and allowed revenue); and

~~(b)~~ the processes for the Authority's determination of $SIFF_t$ which feeds into the calculation of Maximum Revenue in condition F3 (Recovery of transmission network revenues).

F2.2. The condition also establishes governance documents that make further provision for arrangements relating to the regulation, administration, and governance of the NIA and SIF.

Part A: Formula for calculating the value of NIA_t

F2.3. The value of NIA_t is derived by the following formula:

$$NIA_t = NIAE_t + ECNIA_t$$

$NIAE_t$	is Total NIA Expenditure and is subject to the requirements in Part B and the RIIO-3 NIA Governance Document; and
$ECNIA_t$	is Total CNIA Expenditure and is subject to the requirements in Part C.

F2.4. Requirements for Total NIA Expenditure ($NIAE_t$) The value of $NIAE_t$ over the period from 1 April 2026 until 31 March 2031 is subject to the following cap:

$$\sum_{t=2026/27}^{2030/31} (NIAD_t) \leq TNIA$$

where:

$NIAD_t$	is the value of $NIAE_t$ in 2025/26 prices and is calculated in accordance with the price indexation approach in the NESO Financial Handbook;
$TNIA$	is equal to a value directed by the Authority after a determination on the licensees' NIA for the RIIO-3 period and is stated in 2025/26 prices.

F2.5. The Authority may direct a new value of TNIA after its initial determination and direction on the licensee's NIA for RIIO-3 (for example, where the licensee can demonstrate through subsequent Business Plans that additional NIA funding would be in the interests of consumers).

F2.6. The licensee must not spend more than 25% of Total NIA Expenditure on internal resources over the period from 1 April 2026 until 31 March 2031.

F2.7. All the licensee's RIIO-3 NIA Projects must involve partnership with at least one external stakeholder, including but not limited to Transmission Licensees, Licensed Distributors, third-party innovators, and academics.

Part B: Requirements for Total CNIA Expenditure ($ECNIA_t$)

F2.8. The total value of $ECNIA_t$ recovered by the licensee must not exceed the Carry-over Network Innovation Allowance (CNIA) which is derived in accordance with paragraphs F2.9 and F2.10.

F2.9. For the period between 1 April 2026 and 30 September 2027 CNIA is derived according to the following formula:

$$CNIA = PTNIA - PNIAE$$

where:

$PTNIA$ is the licensee's cap on expenditure under the RIIO-2 NIA, which is equal to the value of TNIA in the version of this license that was in place as of 31 March 2026, and which is adjusted to current Regulatory Year prices according to the price indexation methodology in the NESO Financial Handbook.

$PNIAE$ is the licensee's cumulative expenditure under the RIIO-2 NIA up until 31 March 2026, which was recovered through the term $NIAE_t$ in the version of this license that was in place as of 31 March 2026, and which is adjusted to current Regulatory Year prices according to the price indexation methodology in the NESO Financial Handbook.

F2.10. In respect of any time after 30 September 2027, the value of CNIA is equal to zero.

Part C: The RIIO-3 NIA Governance Document

F2.11. The licensee must comply with the RIIO-3 NIA Governance Document.

F2.12. The Authority will issue and amend the RIIO-3 NIA Governance Document by direction.

F2.13. The Authority will publish the RIIO-3 NIA Governance Document on the Authority's Website.

F2.14. The RIIO-3 NIA Governance Document will make provision about the regulation, governance and administration of the NIA, including:

(a) the definition of 'unrecoverable NIA expenditure';

(b) the eligibility criteria, which RIIO-3 NIA Projects must meet;

(c) the information that is to be published by the licensee before RIIO-3 NIA Projects can begin;

(d) the circumstances in which the licensee will require approval from the Authority before beginning a RIIO-3 NIA Project, and the processes and procedures for that approval;

(e) arrangements for ensuring that learning from RIIO-3 NIA Projects can be captured and disseminated by the licensee to Transmission Licensees and Licensed Distributors;

(f) the reporting obligations in respect of RIIO-3 NIA Projects (which may include reporting in respect of the funding and the completion of such projects); and

(g) arrangements relating to the treatment of intellectual property rights in respect of RIIO-3 NIA Projects.

F2.15. Before directing that the RIIO-3 NIA Governance Document comes into effect, the Authority will publish on the Authority's Website:

(a) the text of the proposed RIIO-3 NIA Governance Document;

(b) the date on which the Authority intends the RIIO-3 NIA Governance Document to come into effect; and

(c) a period during which representations may be made on the content of the RIIO-3 NIA Governance Document, which will not be less than 28 days.

F2.16. Before directing an amendment to the RIIO-3 NIA Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the amended RIIO-3 NIA Governance Document;

(b) the date on which the Authority intends the amended RIIO-3 NIA Governance Document to come into effect;

(c) the reasons for the amendment to the RIIO-3 NIA Governance Document; and

(d) a period during which representations may be made on the amendment to the RIIO-3 NIA Governance Document, which will not be less than 28 days.

F2.17. The steps required to issue or amend the RIIO-3 NIA Governance Document may be satisfied by action taken before, as well as by action taken after, this condition comes into effect.

Part D: Determination of the value of the Strategic Innovation Fund term ($SIFF_t$)

F2.18. The Strategic Innovation Fund term ($SIFF_t$) term is the amount to be recovered by the licensee as determined by the Authority under paragraph F2 19 in relation to:

(a) the SIF Funding specified for that Regulatory Year; and

(b) any SIF Funding Return specified for that Regulatory Year.

F2.19. In each Regulatory Year, the Authority will calculate, in accordance with the SIF Governance Document, and then by direction given to the licensee, specify:

~~(a)~~ the value of the $SIFF_t$ term for the licensee, being the amount (if any) to be recovered by the licensee in order to contribute to its own SIF Funding for that Regulatory Year, as well as that of Transmission Licensees', Licensed Distributors' and any body administering the SIF;

(b) the net amounts that are to be transferred between the licensee, Transmission Licensees, Licensed Distributors and any body administering the SIF in order to ensure that each receives an amount (if any) equal to the proportion of the SIF Funding for that Regulatory Year that is attributable to its Eligible SIF Projects or costs of administering the SIF (adjusted to take into account the amount of any SIF Funding Return); and

(c) the manner in which and the timescale over which the net amounts referred to in paragraph F2. 19(b) are to be transferred.

F2.20. The licensee must comply with any direction issued by the Authority under paragraph F2. 19.

F2.21. The Authority may direct how SIF Returned Project Revenues should be paid to customers through the SIF Funding Return Mechanism, or where the Authority considers it to be appropriate, how they should be retained by the licensee.

Part E: The SIF Governance Document

F2.22. The licensee must comply with the SIF Governance Document.

F2.23. The Authority will issue and amend the SIF Governance Document by direction.

F2.24. The Authority will publish the SIF Governance Document on the Authority's Website.

F2.25. The SIF Governance Document will make provision about the regulation, governance and administration of the SIF, including:

(a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed SIF projects;

(b) the evaluation criteria against which the funding of proposed SIF projects will be assessed and approved;

(c) the process and procedures that will be in place for the assessment, approval, and financing of Eligible SIF Projects, including the SIF Funding Mechanism and SIF Funding Return Mechanism;

(d) arrangements to ensure that relevant matters the licensee has learned from the implementation of Eligible SIF Projects can be captured and

disseminated by the licensee to Transmission Licensees and Licensed Distributors;

(e) the nature of the reporting obligations in respect of Eligible SIF Projects, which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the SIF Governance Document; and

(f) arrangements relating to the treatment of intellectual property rights including SIF Returned Royalty Income in respect of Eligible SIF Projects.

F2.26. Before directing that the SIF Governance Document comes into effect the Authority will publish on the Authority's Website:

(a) the text of the proposed SIF Governance Document;

(b) the date that the Authority intends the SIF Governance Document to come into effect; and

(c) the time within which representations may be made on the content of the SIF Governance Document, which will not be less than 28 days.

F2.27. Before directing an amendment to the SIF Governance Document, the Authority will publish on the Authority's Website:

(a) the text of the amended SIF Governance Document;

(b) the date on which the Authority intends the amended SIF Governance Document to come into effect;

(c) the reasons for the amendment to the SIF Governance Document; and

(d) a period during which representations may be made on the amendment to the SIF Governance Document, which will not be less than 28 days.

Condition F3 Recovery of transmission network revenues

Introduction

F3.1. The purpose of this condition is to:

(a) establish the charging restrictions that determine the level of Maximum Revenue that may be recovered by the licensee through Transmission Network Charges; and

(b) set out the obligations on the licensee in respect of those restrictions.

Part A: Licensee's obligation when setting Transmission Network Charges

F3.2. The licensee must when setting Transmission Network Charges, use best endeavours to ensure that Transmission Network Revenue does not exceed Maximum Revenue.

Part B: Formula for calculating Maximum Revenue (TO_t)

F3.3. The value of Maximum Revenue (TO_t) is derived in accordance with the following formula:

$$TO_t = PT_t + DIS_t + TS_t + NICF_t + SIFF_t + LAR_t + ADJ_t$$

where:

PT_t means the allowed pass-through term and is derived in accordance with Part C;

DIS_t means the amount derived as a result of:

(a) the total amount charged to the licensee in Regulatory Year t by Scottish Hydro Electric Transmission Plc, SP Transmission Plc and National Grid Electricity Transmission Plc in respect of Site-Specific Charges, minus

(b) the total income received by the licensee in respect of Site-Specific Connection Charges calculated and applied in accordance with the Connection Charging Methodology Statement as set out in Section 14 of CUSC in Regulatory Year t from customers in the respective Transmission Areas of Scottish Hydro Electric Transmission Plc, SP Transmission Plc and National Grid Electricity Transmission Plc;

TS_t means the amount (for the avoidance of doubt, including any amounts that are treated as capital contribution) derived as a result of:

(a) the total amount charged to the licensee in Regulatory Year t by Scottish Hydro Electric Transmission Plc, SP Transmission Plc, National Grid Electricity Transmission Plc and any Offshore Transmission Owner in respect of Transmission Owner Final Sums minus

(b) an amount equal to the income received by the licensee in Regulatory Year t in respect of users who reduce Transmission Entry Capacity or Developer Capacity or who terminate relevant bilateral agreements for connection access rights to the National Electricity Transmission System in the respective Transmission Areas of each of Scottish Hydro Electric Transmission Plc, SP Transmission Plc, National Grid Electricity Transmission Plc and any Offshore Transmission Owner;

$NICF_t$ means any legacy revenues associated with the RIIO-1 Network Innovation Competition and has a value directed by the Authority in accordance with the NIC Governance Document;

$SIFF_t$ means the SIF Funding and is derived in accordance with condition F2;

LAR_t means legacy adjustments to revenue and is derived in accordance with paragraph F3.4; and

ADJ_t means adjustments to reflect differences between charges set for Maximum Revenue and actual Maximum Revenue and is derived in accordance with Part D.

F3.4. LAR_t has the value of TRU_t as determined in accordance with Part C of special condition 3A (Restriction of Transmission Network Revenue) of the Transmission Licence held by the licensee as in force on 31 March 2021. For Regulatory Years commencing on or after 1 April 2025, the value of LAR_t is equal to zero.

Part C: Formula for calculating the allowed pass-through term (PT_t)

F3.5. The value of PT_t is derived in accordance with the following formula:

$$PT_t = PTI_t + PTE_t$$

where:

PTI_t means the total value of pass-through items for which the licensee has an annual revenue adjustment responsibility and is calculated in accordance with paragraph F3.6; and

PTE_t means the total value of pass-through items for which the licensee does not have an annual revenue adjustment responsibility and is calculated in accordance with paragraph F3.8.

F3.6. The value of PTI_t is derived in accordance with the following formula:

$$PTI_t = LF_t + ITC_t + BD_t$$

where:

LF_t means the net payments made by the licensee under condition F6 (Payments by the licensee to the Authority), including any interest calculated in accordance with paragraph F6.4 of condition F6;

ITC_t means the amount equal to invoices in respect of participation in the inter-transmission system operator compensation mechanism arising from the participation by Great Britain in the inter-transmission system operator compensation mechanism as provided for in Article 49 of the Electricity Regulation (EU) 2019/943;

BD_t means the value of bad debt and is derived in accordance with paragraph F3.7.

F3.7. The value of BD_t is derived in accordance with the following formula:

$$BD_t = BDA_t - RBD_t$$

where:

BDA_t means the aggregate value of Bad Debt the licensee has incurred or expects to incur with respect to Transmission Network Charges owed to the licensee by one or more Defaulting Connection and Use of System Code Party, less the interest income accrued at the default rate set out in the CUSC; and

RBD_t means the aggregate value of monies received with respect to Bad Debt previously recovered by the licensee via the BDA_t term, where the licensee has received cash through either the Defaulting Connection and Use of System Code Party or through the administrator or liquidator of a Defaulting Connection and Use of System Code Party.

F3.8. The value of PTE_t is derived in accordance with the following formula:

$$PTE_t = Term_t + TSP_t + TSH_t + TNGET_t + TOFTO_t + OFET_t + TICF_t + TICP_t$$

where:

$Term_t$ means the adjustment equal to the income received (net of any amounts treated as capital contribution) by the licensee in respect of users who reduce Transmission Entry Capacity or Developer Capacity or who terminate relevant bilateral agreements for connection access rights to the National Electricity Transmission System;

TSP_t means the amount notified to the licensee by SP Transmission Plc or any successor company pursuant to its Transmission Licence;

TSH_t means the amount notified to the licensee by Scottish Hydro Electric Transmission Plc or any successor company pursuant to its Transmission Licence;

$TNGET_t$ means the amount notified to the licensee by National Grid Electricity Transmission Plc or any successor company pursuant to its Transmission Licence;

$TOFTO_t$ means the total of the amounts notified to the licensee by each Offshore Transmission Owner pursuant to their Transmission Licences;

$OFET_t$ means the amount equal to the payments made, in total, by the licensee to a Licensed Distributor with respect to charges for use of electricity distribution systems by offshore generating stations connected to those systems via Embedded Transmission Systems;

$TICF_t$ means the total of the amounts notified to the licensee by each relevant Interconnector Owner pursuant to their electricity Interconnector Licences; and

$TICP_t$ means the total of the amounts (whether of a positive or of a negative value) notified to the licensee by each relevant electricity interconnector licensee in relation to Relevant Year t pursuant to the conditions in their respective electricity Interconnector Licences.

Part D: Formula for calculating the adjustment term (ADJ_t)

F3.9. The value of ADJ_t is derived in accordance with the following formula:

$$ADJ_t = \left(TO_{t-1} - TO^*_{t-1} - (PTE_{t-1} - PTE^*_{t-1})\right) \times (1 + I_{t-1} + 1.15\%)$$

where:

TO_t means Maximum Revenue derived in accordance with Part B;

TO^*_t means Maximum Revenue as most recently forecast and published by the licensee by 1 April of Regulatory Year t;

PTE_t has the meaning in paragraph F3.5;

PTE^*_t means the value of PTE_t most recently forecast and published by the licensee by 1 April of Regulatory Year t; and

I_t means the average value of the Reference Variable Rate.

Condition F4 Assets and resources

Introduction

F4.1. The purpose of this condition is to establish requirements on the licensee in relation to:

~~(a)~~ securing necessary resources;

~~(b)~~ maintaining an Intervention Plan;

~~(c)~~ the disposal of Relevant Assets; and

~~(d)~~ the use of commercial debt.

Part A: Availability of resources

F4.2. The licensee must 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 business and activities it is required to undertake under this licence, the Electricity Act 1989 and the Energy Act 2023; and

~~(b)~~ to comply in all respects with its obligations under this licence and such obligations under the Electricity Act 1989 and the Energy Act 2023 as apply to the licensee.

F4.3. The licensee must notify the Authority in Writing immediately if it becomes aware of any circumstance that causes it to not have a reasonable expectation that it will have sufficient resources (including, without limitation, management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities) available to itself to enable the licensee to comply with paragraph F4.2.

F4.4. A notification provided by the licensee to the Authority under paragraph F4.3 must include a description of the factors which have led to the licensee making that notification.

Part B: Requirement to maintain an Intervention Plan

F4.5. The licensee must have in place and maintain an Intervention Plan fulfilling the criteria described in paragraph F4.6.

F4.6. The Intervention Plan must contain information that would be sufficient to allow an administrator 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 ISOP 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;

~~(i)~~ any contractual rights to receive cash or other financial assets from any ISOP Associate;

~~(j)~~ any contractual obligations to deliver cash or other financial assets to any ISOP Associate; 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.

F4.7. The requirements in paragraphs F4.5 and F4.6 will be satisfied if the Intervention 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.

Part C: Disposal of Relevant Assets

F4.8. The licensee must not undertake an Asset Disposal or relinquish operational control over any Relevant Asset except where the transaction in question:

~~(a)~~ 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;

~~(b)~~ is in accordance with directions issued by the Authority for the purposes of this condition containing a written general consent (whether or not subject to conditions) to transactions of a specified description; or

~~(c)~~ has been notified to the Authority in accordance with paragraph F4.9 and the Authority confirms in writing that it consents to such Asset Disposal or relinquishment of operational control over a Relevant Asset as specified in the written notice (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).

F4.9. For the purpose of requesting consent from the Authority under paragraph F4.8(c), the licensee must give to the Authority not less than two months' prior written notice of its intention to undertake an Asset Disposal or relinquish operational control over any Relevant Asset.

F4.10. The Authority may request further information relating to such asset or the circumstances of such intended Asset Disposal or relinquishment of control or to the intentions of the person proposing to acquire such asset or operational control over such asset.

Part D: Indebtedness

F4.11. 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 by way of:

(i) transactions for a Permitted Purpose, which are on an arm's length basis and on normal commercial terms, and which are undertaken as part of the usual and ordinary course of the licensee's business operations; or

(ii) financial arrangements or guarantees between the licensee and the Secretary of State or as otherwise approved by the Secretary of State;

~~(b)~~ transfer, lease, license or lend any sum or sums, asset, right or benefit to any ISOP Associate; or

~~(c)~~ enter into an agreement, incur a commitment incorporating, or permit to remain in effect any agreement or commitment incorporating a cross-default obligation;

except where the transaction is in accordance with directions issued by the Authority for the purposes of this condition containing a written general consent to transactions of a specified description.

F4.12. With respect to transactions under paragraph F4.11 (a)(i), the licensee must have a system of internal controls for the purpose of ensuring it has regard to any published guidance issued from time to time by HM Treasury (or a successor body) outlining principles, recommendations or guidelines on the use and management of financial resources by public

organisations in the United Kingdom (to the extent such principles, recommendations or guidelines are relevant to the licensee).

Condition F5 Financial model and handbook

Introduction

F5.1. The purpose of this condition is to set out requirements on the licensee in relation to the NESO Financial Model.

F5.2. This condition also establishes the NESO Financial Handbook and the process the Authority will follow in issuing and amending the NESO Financial Handbook.

Part A: The NESO Financial Model

F5.3. The licensee must maintain, update, consult on, and publish the NESO Financial Model, in line with the requirements in this Part and in the NESO Financial Handbook.

F5.4. The NESO Financial Model must contain the licensee's detailed calculation for its ESO Allowed Revenue term ($ESOAR_t$) for each Regulatory Year, in line with the requirements in condition F1 (Expenditure and allowed revenue) and the NESO Financial Handbook.

F5.5. The licensee must have in place a robust internal governance process to verify the accuracy of the data, information and calculations contained within the NESO Financial Model. This must include, at a minimum, approval from the licensee's chief financial officer (or an equivalent officer that has overall accountability for delivery of the licensee's financial obligations) prior to the publication or submission of any updated or populated versions of the NESO Financial Model to the Authority.

F5.6. The Authority may, where it considers it necessary, direct the licensee to review or change the NESO Financial Model (or supporting models or reporting packs for the NESO Financial Model outlined in the NESO Financial Handbook) in the manner and timeframes specified in the relevant letter of direction.

Part B: The NESO Financial Handbook

F5.7. The licensee must comply with the NESO Financial Handbook.

F5.8. The Authority will issue and amend the NESO Financial Handbook by direction.

F5.9. The Authority will publish the NESO Financial Handbook on the Authority's Website.

F5.10. The NESO Financial Handbook will include provisions about or impose requirements in relation to, but not limited to:

~~(a)~~ the methodologies for calculating the revenue terms LEG_t, TAX_t, $ESOI_t$, DPN_t and RAV_t, which each feed into the calculation of ESO Allowed Revenue in condition F1;

~~(b)~~ the closeout methodology in relation to ISOP Regulatory Asset Value;

~~(c)~~ the price indexation methodologies for determining the maximum value of NIA_t, the SO-TO Commercial Threshold, and any other monetary values which require price indexation;

~~(d)~~ the timelines and processes the licensee should follow for updating, populating and publishing the NESO Financial Model;

~~(e)~~ defined benefit pension cost recovery and reporting; and

~~(f)~~ any other matters relating to the regulation, governance and administration of the NESO Financial Model and the NESO Financial Handbook.

F5.11. Before issuing or amending the NESO Financial Handbook, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed or amended NESO Financial Handbook;

~~(b)~~ the date on which the Authority intends the NESO Financial Handbook or amended NESO Financial Handbook to come into effect; and

~~(c)~~ a period during which representations may be made on the content of the NESO Financial Handbook, which must be at least 14 days.

Condition F6 Payments by licensee to the Authority

Introduction

F6.1. The purpose of this condition is to set requirements on the licensee in relation to payments to the Authority for the recovery of licence fees.

Part A: Payments to be made

F6.2. In respect of each Relevant Year during which the licensee holds this licence, the licensee shall pay to the Authority the aggregate of:

(a) an amount which is the Licence Fee Proportion of the costs of the Authority during the year in question;

(b) the Licence Fee Proportion of the costs of Citizens Advice;

(c) the Licence Fee Proportion of the costs of Citizens Advice Scotland or Consumer Scotland;

(d) an amount which is the Licence Fee Proportion of the costs of the Citizens Advice, Citizens Advice Scotland or Consumer Scotland on, or in connection with, the support of any qualifying public consumer advice scheme that the Secretary of State considers is reasonable having regard to the functions exercisable by the National Consumer Council in relation to gas and electricity consumers; and

(e) an amount that is the Licence Fee Proportion of the costs of the Secretary of State during the year in question in respect of:

(i) payments made by the Secretary of State by virtue of paragraph 4(2) or (2A) of Schedule 7 to the Electricity Act 1989 (payments relating to meter examiners); and

(ii) any other costs incurred by the Secretary of State in performing functions conferred by Schedule 7 to the Electricity Act 1989 or by electricity meter regulations (as defined in section 95(5) of the Energy Act 2008).

Part B: Timing of payments and interest

F6.3. The amounts (net of any credit notes issued by the Authority) determined in accordance with paragraph F6.2 shall be paid by the licensee to the Authority in two instalments, with:

(a) the first instalment being due for payment by 31 July in each Relevant Year; and

(b) the second instalment being due for payment by 31 January in each Relevant Year

provided that, in each case, if the Authority has not given notice of the amount of the instalment due at least 30 days before the payment date stated above, the licensee shall pay the amount due within 30 days from the actual giving of notice by the Authority to the licensee (whenever notice is given).

F6.4. If the licensee fails to pay the amount determined in accordance with paragraph F6.2 within 30 days of the payment date determined in accordance with paragraph F6.3, it shall with effect from that date pay simple interest on that amount at the rate which is from time to time equivalent to the base rate of NatWest Bank plc or, if there is no such base rate, such base rate as the Authority may designate for the purposes hereof.

Condition F7 Requirements on staff remuneration and expenses

Introduction

F7.1. The purpose of this condition is to set requirements on the licensee on its approach to staff remuneration and expenses. This includes requirements on the licensee that aim to support alignment between the Authority's performance assessments and the licensee's decisions on Performance-Related Pay for Applicable Staff. This condition also sets requirements on the licensee to publish certain policies and reports that promote transparency on the licensee's approach, decisions and costs with respect to staff remuneration and expenses.

Part A: Requirements on Performance-Related Pay for Applicable Senior Staff

F7.2. The licensee must ensure that there is a strong relationship between its approach to Performance-Related Pay for Applicable Senior Staff and the performance arrangements established by the Authority pursuant to Condition G2 (Performance reports and assessment). This includes the licensee ensuring the Annual Performance Assessment carried out by the Authority is a material factor in its decisions on Performance-Related Pay for Applicable Senior Staff.

F7.3. Subject to paragraph F7.2, the Licensee may consider a range of factors when determining Performance-Related Pay for Applicable Senior Staff, but it must ensure that at a minimum it demonstrably considers:

~~(a)~~ the grades in the Annual Performance Assessment;

~~(b)~~ the Authority's key findings and reasons for the grades in the Annual Performance Assessment;

~~(c)~~ the views of stakeholders on the licensee 's performance, including but not limited to views provided by the Independent Challenge Panel; and

~~(d)~~ the extent to which the factors in paragraphs F7.3(a) to F7.3(c) relate to the accountabilities and performance of each Applicable Senior Staff member.

F7.4. The licensee must ensure its arrangements for Performance-Related Pay for Applicable Senior Staff create strong incentives on Applicable Senior Staff to promote the licensee's compliance with its license obligations. This includes ensuring that any findings of non-compliance with licence conditions following enforcement action taken by the Authority against the licensee using its statutory enforcement powers are a prominent factor in Performance-Related Pay for Applicable Senior Staff with relevant accountabilities (including through the implementation and, where relevant, execution of effective malus or claw back provisions).

Part B: Transparency on staff remuneration

F7.5. The licensee must maintain and publish on its website a Remuneration Policy describing the principles, practices, and procedures that the licensee follows

when remunerating its employees (including the approach to establishing base salaries, annual salary adjustments, benefit packages, and Performance-Related Pay).

F7.6. The licensee must keep the Remuneration Policy under review and publish an updated version as soon as reasonably practicable after identifying any changes that are needed to more closely reflect the principles, practices and procedures followed by the licensee.

F7.7. The licensee must provide transparency on its decisions on Performance-Related Pay for Applicable Senior Staff and the reasoning for these decisions through public end-of-year reporting. This public reporting must as a minimum include:

~~(a)~~ Disaggregated data on the pay awards granted to each Applicable Executive Committee Member, including the values of pay award granted in comparison to the minimum and maximum values available;

~~(b)~~ An explanation of the rationale behind the licensee's decisions on performance related pay for each Applicable Executive Committee Member, including an explanation of how the factors in paragraph F7.3 were considered by the licensee;

~~(c)~~ Aggregated data on the pay awards granted to Applicable Senior Staff who are not Applicable Executive Committee Members, including the average percentage pay award compared to the average minimum and average maximum values available; and

~~(d)~~ A summary explanation of the rationale behind the licensee's aggregate decisions on performance related pay for Applicable Senior Staff who are not Applicable Executive Committee Members, including an explanation of how the factors in paragraph F7.3 were considered by the licensee.

Part C: Requirements with respect to expenditure on travel, expenses and hospitality

F7.8. The licensee must have in place a robust system of internal governance, procedures and controls that ensure any travel or expenses cost incurred or claimed by its employees, or any expenditure on hospitality:

~~(a)~~ has a justified needs-case with respect to the effective operation of the ISOP Business;

~~(b)~~ delivers value for money for energy consumers; and

~~(c)~~ aligns with the relevant expectations established in any formal agreements with the Secretary of State, as well as any published guidance issued from time to time by HM Treasury (or a successor body) outlining the principles, recommendations or guidelines on the use and management of financial resources by public organisations in the United Kingdom.

F7.9. The licensee must maintain and publish on its website an Expenses Policy which describes the principles, practices, procedures and systems that the licensee follows in relation to expenditure on expenses, travel and hospitality by employees (management and the wider workforce), and when carrying out the ISOP Business.

F7.10. The licensee must keep the Expenses Policy under review and publish an updated version as soon as reasonably practicable after identifying any changes that are needed to more closely reflect the principles, practices and procedures followed by the licensee.

F7.11. The licensee must provide transparency on the expenditure it incurs on travel, expenses and hospitality each Regulatory Year through public end-of-year reporting. This public reporting must at a minimum include:

~~(a)~~ data on the total expenses claimed by each member of the licensee's executive committee over the Regulatory Year, disaggregated into sub-categories which include at a minimum: air travel, rail travel, travel by taxi and car, accommodation, subsistence, and other;

~~(b)~~ data on the cumulative total of staff expenses over the Regulatory Year disaggregated into sub-categories which include at a minimum: travel, accommodation, subsistence, and other; and

~~(c)~~ data on the licensee's cumulative expenditure on hospitality.

Condition F8 Assistance for Areas with High Distribution Costs Scheme (AAHDCS)

Introduction

F8.1. The purpose of this condition is to establish:

~~(a)~~ the restriction on revenue;

~~(b)~~ payments from Authorised Suppliers;

~~(c)~~ payments to a Relevant Distributor; and

~~(d)~~ an annual statement,

in relation to the Assistance for Areas with High Distribution Costs Scheme (AAHDCS).

Part A: Restriction on revenue

F8.2. The licensee must use its best endeavours to ensure that, in each Relevant Year, the revenue derived by the licensee from the AAHDCS Activity does not exceed the Total Scheme Amount for that Relevant Year as calculated in accordance with the following formula:

$$HBM_t = A_t + SA_t + (HBOC_t - HBK_t)$$

where:

HBM_t represents the Total Scheme Amount in relation to the Relevant Year t.

A_t represents the Assistance Amount in relation to the Relevant Year t.

SA_t represents the Shetland Assistance Amount in relation to the Relevant Year t.

$HBOC_t$ represents the Administration Allowance in relation to the Relevant Year t.

HBK_t represents the Correction Amount in relation to the Relevant Year t.

F8.3. For the purposes of paragraph F8.2, for each Relevant Year, the Assistance Amount shall be derived from the following formula:

$$A_t = A_{t-1} \times \left(1 + \left(\frac{CPIH_t}{100}\right)\right)$$

where:

A_{t-1} represents the Assistance Amount in relation to the Relevant Year t-1.

$CPIH_t$	means the percentage change (whether of a positive or a negative value) in the arithmetic average of the CPIH figures published or determined with respect to each of the six months May to October (both inclusive) in relation to the Relevant Year t-1 and that are published or determined with respect to the same months in relation to the Relevant Year t-2.

F8.4. For the purposes of paragraph F8.2, for each Relevant Year, the Shetland Assistance Amount shall be derived from the following formula:

$$SA_t = SA_{t-1} \times \left(1 + \frac{CPIH_t}{100}\right)$$

where:

SA_{t-1}	represents the Shetland Assistance Amount in relation to the Relevant Year t-1.
$CPIH_t$	has the meaning given in paragraph F8.3.

F8.5. For the purposes of paragraph F8.2 , for each Relevant Year, the Administration Allowance shall be derived from the following formula:

$$HBOC_t = HBOC_{t-1} \times \left(1 + \left(\frac{CPIH_t}{100}\right)\right)$$

where:

$HBOC_{t-1}$	represents the Administration Allowance in relation to the Relevant Year t-1.
$CPIH_t$	has the meaning given in paragraph F8.3.

F8.6. For the purposes of paragraph F8.2, for each Relevant Year the Correction Amount shall have the value derived from the following formula:

$$HBK_t = (HBC_{t-1} - HBM_{t-1}) \times \left(1 + \left(\frac{I_t}{100}\right)\right)$$

where:

HBC_{t-1}	means the total income from payments received from Authorised Suppliers during the Relevant Year t-1 in accordance with Part B of this condition, excluding any interest on Late Payments.
HBM_{t-1}	means the Total Scheme Amount in relation to the Relevant Year t-1.
I_t	represents the Base Interest Rate in relation to the Relevant Year t as of the date upon which such calculation under paragraph F8.2 is conducted.

F8.7. For the purposes of paragraphs F8.3 to F8.6, where the Relevant Year t-1 is the year beginning on 1 April 2022, the following amounts in relation to that year are the amounts calculated in accordance with condition C20 (Assistance for areas with high distribution costs scheme: restriction on revenue) of the Transmission Licence held by the licensee as in force immediately before 1 April 2023:

~~(a)~~ the Assistance Amount;

~~(b)~~ the Shetland Assistance Amount;

~~(c)~~ the Administration Allowance; and

~~(d)~~ the Total Scheme Amount

Part B: Payments from Authorised Suppliers

F8.8. Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005, the licensee must collect payments from Authorised Suppliers in accordance with the provisions of Part B.

F8.9. For each Relevant Year the licensee must calculate an AAHDCS Tariff (in p/kWh) by dividing the Total Scheme Amount by a reasonable forecast of the total Units of Electricity Supplied within Great Britain by Authorised Suppliers during the Relevant Year.

F8.10. For each Relevant Year, the licensee must calculate a Shetland AAHDCS Tariff (in p/kWh) by dividing the total Shetland Assistance Amount by a reasonable forecast of the total Units of Electricity Supplied within Great Britain by Authorised Suppliers during the Relevant Year.

F8.11. The licensee must issue to each Authorised Supplier an invoice for the amount determined by applying the AAHDCS Tariff to the Units of Electricity Supplied by each Authorised Supplier during each period in relation to the Relevant Year t specified in the following table and such invoices must be issued in respect of each such period in relation to the Relevant Year t by the dates specified in the following table specifying the amount due and the date required for payment of such amount by

the Authorised Supplier which shall not be more than 28 days from the date of the invoice.

Period in Relevant Year	Invoice dates in relation to Relevant Year
April to June	15 August
July to September	15 November
October to December	15 February
January to March	15 May

F8.12. For each Relevant Year, for the purpose of information, each invoice issued to an Authorised Supplier pursuant to paragraph F8.11 must specify the amount determined by applying the Shetland AAHDCS Tariff to the Units of Electricity Supplied by that Authorised Supplier during each period in relation to the Relevant Year t specified in the table in paragraph F8.11.

F8.13. The invoices issued in accordance with paragraph F8.11 may also include a separate amount payable by an Authorised Supplier representing an interest charge of 8 per cent above the Base Interest Rate on any payment not made to the licensee by the Authorised Supplier on the date specified calculated for each day after the date on which any payment relating to a previous invoice or to previous invoices should have been made up to the date on which such payment was actually made.

F8.14. For each Relevant Year, the licensee must prepare a statement setting out in respect of such Relevant Year:

~~(a)~~ the methodology used to calculate the AAHDCS Tariff (in p/kWh);

~~(b)~~ the AAHDCS Tariff (in p/kWh) that will apply in the Relevant Year;

~~(c)~~ the terms for payment of invoices issued under paragraph F8.11 including the dates by which such invoices must be paid;

~~(d)~~ a statement that the level of interest to be applied to any Late Payments by an Authorised Supplier must be 8% above the Base Interest Rate as calculated and applied in accordance with paragraph F8.13;

~~(e)~~ contact details which can be used if an Authorised Supplier has any queries concerning the operation of the AAHDCS;

~~(f)~~ a statement of the Administration Allowance; and

~~(g)~~ a statement of the Assistance Amount payable by the licensee in relation to the Relevant Year, together with details of the payments payable by the licensee on the payment dates in relation to the Relevant Year specified in Part C of this condition.

F8.15. For each Relevant Year the statement made in accordance with paragraph F8.14 must also set out:

~~(a)~~ the methodology used to calculate the Shetland AAHDCS Tariff;

~~(b)~~ the Shetland AAHDCS Tariff that will apply in the Relevant Year; and

~~(c)~~ a statement of the Shetland Assistance Amount payable by the licensee in relation to the Relevant Year, together with details of the payments payable by the licensee on the payment dates in relation to the Relevant Year specified in Part C of this condition.

F8.16. For each Relevant Year, as soon as reasonably practicable after the preparation of the statement made in accordance with paragraph F8.14 and not less than 1 month prior to issuing the first invoice in the Relevant Year to which such statement relates, the licensee shall provide a copy of the statement to the Authority, Authorised Suppliers and to a Relevant Distributor. Where a person becomes an Authorised Supplier on a date after the statement has been provided under this paragraph, the licensee must provide a copy to such Authorised Supplier as soon as reasonably practicable after such date.

F8.17. The licensee must publish any statement prepared in accordance with paragraph F8.14 on its website.

Part C: Payments to a Relevant Distributor

F8.18. Pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 the licensee must in respect to each Relevant Year pay to a Relevant Distributor the Assistance Amount in the proportions specified in the table below and on the payment dates specified therein.

Payment dates	**Proportion of Assistance Amount payable on payment date**
15 September	23%
15 December	22%
15 March	27%
15 June	28%

For the avoidance of doubt, the payments required by Part C of this condition must be made to a Relevant Distributor by the licensee whether or not sufficient monies have been received by the licensee from Authorised Suppliers in accordance with Part B of this condition.

F8.19. In respect of each Relevant Year, the licensee must pay to a Relevant Distributor the Shetland Assistance Amount in the proportions specified and on the payment dates specified in the table in paragraph F8.18.

Part D: Annual statement

F8.20. As soon as practicable after issuing the last invoice in any Relevant Year in accordance with Part B of this condition the licensee must provide the Authority and a Relevant Distributor with a statement of:

~~(a)~~ the Total Scheme Amount;

~~(b)~~ the mechanism for the calculation of the Total Scheme Amount; and

~~(c)~~ the values of the components used in the calculation of the Total Scheme Amount,

with respect to the Relevant Year.

Condition F9 Disapplication and suspension of Relevant Licence Conditions

Introduction

F9.1. The purpose of this condition is to enable:

~~(a)~~ the licensee to make a formal request for the disapplication of the Relevant Licence Conditions (in whole or in part) and for such provisions to be disapplied following such a request in the circumstances specified below.

~~(b)~~ a suspension of the Relevant Licence Conditions in the event of a Security Period where this is necessary for the recovery of Allowed Security Costs.

Part A: Procedure for making a Disapplication Request

F9.2. The licensee may serve a Disapplication Request on the Authority.

F9.3. A Disapplication Request must:

~~(a)~~ be in Writing and addressed to the Authority;

~~(b)~~ specify to which of the Relevant Licence Conditions (or any part or parts of them) the request relates;

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

~~(d)~~ contain such other information or analysis as the licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and

~~(e)~~ state the Disapplication Date that the licensee proposes, which must not be earlier than the appropriate date that is mentioned in Part B.

F9.4. A Disapplication Request served under paragraph F9.2 may be served in respect of a specified geographical area.

F9.5. The Authority may, within 28 days of a Disapplication Request, give notice to the licensee:

~~(a)~~ specifying further information or analysis that the Authority reasonably considers is required in order to fully assess the Disapplication Request; and

~~(b)~~ requesting the licensee to provide that information or analysis.

F9.6. The licensee may withdraw a Disapplication Request at any time.

Part B: Date from which a disapplication may take effect

F9.7. The Disapplication Date specified in a Disapplication Request must be after the period of 18 months beginning with the date of the submission of the Disapplication Request, unless the Authority consents in writing to an earlier date.

F9.8. If paragraph F9.5 applies, a Disapplication Request will be treated as served when the further information or analysis is received by the Authority and, if in consequence the Disapplication Date set out in the Disapplication Request no longer complies with paragraph F9.7, the Disapplication Date will be treated as being the earliest date that would comply with that paragraph.

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

F9.9. If the licensee has served on the Authority a Disapplication Request that complies with the requirements of Parts A and B, it may subsequently give the Authority a Disapplication Notice:

~~(a)~~ in the circumstances described in Part D; or

~~(b)~~ in the circumstances described in Part E.

F9.10. In either case the Disapplication Notice may not take effect before the Disapplication Date or such earlier date to which the Authority may have consented under Part B.

Part D: Termination without involvement of the Competition and Markets Authority

F9.11. The circumstances referred to in paragraph F9.9(a) are that by the beginning of the period of six months that would end on the Disapplication Date, the Authority has not in response to the Disapplication Request published a decision under section 11A(7) of the Electricity Act 1989 to modify:

~~(a)~~ the Relevant Licence Conditions (or any part or parts of them) to which the Disapplication Request applies; or

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

Part E: Termination after involvement of the Competition and Markets Authority

F9.12. The circumstances referred to in paragraph F9.9(b) are that the Authority has published a decision as described in paragraph F9.11(a) or F9.11(b) and:

~~(a)~~ the licensee has exercised its right to appeal to the Competition and Markets Authority against that decision of the Authority under section 11C of the Electricity Act 1989;

~~(b)~~ the Competition and Markets Authority, acting under section 11F of the Electricity Act 1989 has, in respect of the provision to which the Disapplication Notice relates:

(i) quashed the Authority's decision; and

(ii) neither remitted the matter back to the Authority under section 11F(2)(b) of the Electricity Act 1989 nor substituted its own decision for that of the Authority under section 11F(2)(c) of the Electricity Act 1989; and

~~(c)~~ no more than 30 days have elapsed since the date on which the Competition and Markets Authority quashed the decision in the circumstances described in paragraph F9.12(b)(i).

Part F: Suspension of Relevant Licence Conditions during a Security Period

F9.13. At any time during a Security Period, the licensee may give notice in Writing to the Authority suspending, with effect from the date the notice is received by the Authority, application of the Relevant Licence Conditions as may be specified in the notice, for the remaining duration of the Security Period.

F9.14. At any time during a Security Period, the Authority may by direction (having regard to its duties):

~~(a)~~ suspend or modify for the remaining duration of the Security Period the Relevant Licence Conditions or any part or parts thereof; or

~~(b)~~ introduce for the remaining duration of the Security Period new licence conditions,

in either case, so as to make such provision as in the opinion of the Authority is necessary or appropriate to enable the licensee to recover by means of an appropriate equitable increase on Use of System Charges an amount estimated as being equal to the licensee's Allowed Security Costs during such period.

F9.15. Following the end of each Relevant Year the licensee must provide to the Authority details in respect of that Relevant Year of:

~~(a)~~ the licensee's estimate of Allowed Security Costs;

~~(b)~~ the aggregate amounts charged on account of the licensee's Allowed Security Costs; and

~~(c)~~ the basis of and calculations underlying the Allowed Security Costs.

Condition F10 ISOP implementation funding

Introduction

F10.1. The purpose of this condition is to establish the arrangements the licensee must follow to make any payments to National Grid Plc or its Affiliates or Related Undertakings for recovery through the term $FSONG_t$ in condition F1 (Expenditure and allowed revenue).

Part A: Payments for FSO Transition Activities

F10.2. The licensee may only make payments to National Grid Plc or its Affiliates or Related Undertakings in respect of costs incurred by National Grid Plc or its Affiliates or Related Undertakings for FSO Transition Activities if the payments are made under (and in compliance with the terms of):

~~(a)~~ the Transitional Services Agreement;

~~(b)~~ the Operational Services Agreement; or

~~(c)~~ the Day 2 CTA Contract.

For the avoidance of doubt, this paragraph does not permit payments in respect of costs relating to FSO Transition Activities carried out before FSO Day 1.

F10.3. The licensee must maintain the Day 2 CTA Contract until the final payment to be made under that contract has been made in accordance with the terms of the contract, subject to the requirements in condition F10.5.

F10.4. The licensee must send the Authority a copy of any updated or amended versions of the Day 2 CTA Contract as soon as reasonably practicable after any amendments are made.

F10.5. The Day 2 CTA Contract, and any amendments to the Day 2 CTA Contract, must meet the requirements set out in any direction issued by the Authority (following consultation with the licensee and National Grid Holdings One plc).

F10.6. The consultation in paragraph F10.5 may be satisfied by action taken before, as well as action taken after, this condition comes into effect.

Section G: Regulatory reports and assessment

Condition G1 Business Aims and Business Plan

Introduction

G1.1. The purpose of this condition is to set obligations on the licensee related to the development of Strategic Aims and Business Plans.

G1.2. This condition also sets out the process the Authority will follow in issuing and amending the NESO Business Plan Guidance.

Part A: Strategic Aims

G1.3. The licensee must:

~~(a)~~ develop and maintain a set of Strategic Aims; and

~~(b)~~ publish the Strategic Aims on its website.

G1.4. The Strategic Aims must meet the requirements set out within the NESO Business Plan Guidance.

G1.5. The licensee must keep the Strategic Aims under review. Where the licensee identifies that the Strategic Aims will be materially inaccurate by the time of the next Business Plan submission, the licensee must seek to update and republish the Strategic Aims in sufficient timescales for the revised Strategic Aims to inform the development of the next Business Plan.

G1.6. Subject to paragraph G1.5, the licensee must conduct a review of the Strategic Aims with stakeholders at least once every six years.

Part B: Business Plan

G1.7. Before the start of the Regulatory Year commencing 1 April 2028, and subsequently every two years, unless the Authority directs otherwise, the licensee must:

~~(a)~~ produce a Business Plan; and

~~(b)~~ publish the Business Plan on its website.

G1.8. The Business Plan must contain, with respect to the two forthcoming Regulatory Years:

~~(a)~~ the licensee's forecast of the total Internal Expenditure that it expects to incur for each of the two Regulatory Years within the Business Plan period;

~~(b)~~ an explanation of and justification for the forecast Internal Expenditure;

~~(c)~~ a clear articulation of the major performance outcomes the licensee is seeking to achieve over the Business Plan period, including an explanation of how those shorter term performance outcomes relate to the licensee's most recent Strategic Aims; and

~~(d)~~ information and measures to explain how the outcomes in paragraph G1.8(c) will be achieved in practice (including a description of the licensee's major planned deliverables and key milestones); and

~~(e)~~ any other required contents set out in the NESO Business Plan Guidance.

Part C: Stakeholder engagement

G1.9. Whenever preparing the Business Plan, or whenever materially revising the Strategic Aims, the licensee must engage with relevant stakeholders, in line with the guidance provided in the NESO Business Plan Guidance.

Part D: Authority's review and determination on the Business Plan

G1.10. The licensee must submit the Business Plan, and any other supporting information required by the Authority for review, in line with the process and timelines set out in the NESO Business Plan Guidance.

G1.11. The Authority will assess the Business Plan, and any other supporting information required by the Authority, in line with the process and timelines set out in the NESO Business Plan Guidance.

G1.12. The Authority will publish an annual Plan Determination following its assessment of the Business Plan on the Authority's Website.

G1.13. The Authority's Plan Determination will set out the Authority's views and conclusions on the contents of the Business Plan, including, where relevant, any additional or different expectations the Authority considers the licensee should meet over the Business Plan period, in line with the process in the NESO Business Plan Guidance.

Part E: NESO Business Plan Guidance

G1.14. The Authority will issue and amend the NESO Business Plan Guidance by direction.

G1.15. The licensee must comply with the NESO Business Plan Guidance.

G1.16. The Authority will publish the NESO Business Plan Guidance on the Authority's Website.

G1.17. The NESO Business Plan Guidance will include provisions about or impose requirements in relation to:

~~(a)~~ requirements related to Strategic Aims;

~~(b)~~ the date for the submission of the Business Plan;

~~(c)~~ the contents of the Business Plan;

~~(d)~~ the processes for engagement with stakeholders, including any consultations; and

~~(e)~~ how the Authority will assess the Business Plan and make a Plan Determination.

G1.18. Before issuing a new or amended NESO Business Plan Guidance, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed or amended NESO Business Plan Guidance;

~~(b)~~ the date on which the Authority intends the NESO Business Plan Guidance or amended NESO Business Plan Guidance to come into effect; and

~~(c)~~ a period during which representations may be made on the content of the NESO Business Plan Guidance, which will not be less than 28 days.

G1.19. After issuing or amending the NESO Business Plan Guidance, the Authority must:

~~(a)~~ publish the NESO Business Plan Guidance on the Authority's Website; and

~~(b)~~ ensure that any amendments to the NESO Business Plan Guidance are promptly incorporated into a consolidated version maintained on the Authority's Website.

G1.20. The steps required to issue or amend the NESO Business Plan Guidance may be satisfied by action taken before, as well as by action taken after, this condition comes into effect.

Condition G2 Performance reports and assessment

Introduction

G2.1. The purpose of this condition is to establish the licensee's regulatory performance incentives, including requirements on the licensee in relation to performance reporting and gathering stakeholder feedback, and the arrangements for an assessment of the licensee's performance by the Authority.

G2.2. This condition also establishes the NESO Performance Arrangements Governance Document and sets out the process the Authority will follow in issuing and amending the NESO Performance Arrangements Governance Document.

Part A: Performance reports, stakeholder feedback and assessment

G2.3. The licensee must publish, on its website, reports demonstrating its performance carrying out the ISOP Business, including with respect to the achievement of Business Plan outcomes and value for money in expenditure, in line with the requirements in the NESO Performance Arrangements Governance Document.

G2.4. The licensee must put in place arrangements that enable stakeholders to provide regular and coordinated feedback on the licensee's performance carrying out the ISOP Business, in line with the specific requirements in the NESO Performance Arrangements Governance Document, and it must use reasonable endeavours to ensure these arrangements facilitate feedback from a diverse range of stakeholders.

G2.5. The Authority will put in place arrangements for the Independent Challenge Panel. These arrangements, including the associated requirements on the licensee, will be set out within the NESO Performance Arrangements Governance Document.

G2.6. The licensee must engage and cooperate with the Independent Challenge Panel to enable the Independent Challenge Panel to deliver its roles and responsibilities as established in the NESO Performance Arrangements Governance Document.

G2.7. At the end of each Regulatory Year, the Authority will publish its views on the licensee's performance over that Regulatory Year, in line with the arrangements in the NESO Performance Arrangements Governance Document.

Part B: The NESO Performance Arrangements Governance Document

G2.8. The licensee must comply with the NESO Performance Arrangements Governance Document.

G2.9. The Authority will issue and amend the NESO Performance Arrangements Governance Document by direction.

G2.10. The Authority will publish the NESO Performance Arrangements Governance Document on the Authority's Website.

G2.11. The NESO Performance Arrangements Governance Document will include provisions about, or impose requirements in relation to:

~~(a)~~ reports the licensee must publish on its website to demonstrate its performance in carrying out the ISOP Business (including with respect to its delivery of Business Plan outcomes and its expenditure);

~~(b)~~ the process and procedures that will be in place for any assessment of the performance of the licensee by the Authority;

~~(c)~~ the requirements the licensee must fulfil as part of any such assessment process;

~~(d)~~ how any such assessment of the performance of the licensee will be published by the Authority;

~~(e)~~ requirements in relation to licensee gathering feedback from its stakeholders;

~~(f)~~ the arrangements for the Independent Challenge Panel, and the licensee's obligations in relation to the Independent Challenge Panel; and

~~(g)~~ any other matters relating to the regulation, governance, or administration of the licensee's regulatory performance incentives.

G2.12. Before issuing a new or amended NESO Performance Arrangements Governance Document, the Authority will publish on the Authority's Website:

~~(a)~~ the text of the proposed or amended NESO Performance Arrangements Governance Document;

~~(b)~~ the date on which the Authority intends the NESO Performance Arrangements Governance Document or amended NESO Performance Arrangements Governance Document to come into effect; and

~~(c)~~ a period during which representations may be made on the content of the NESO Performance Arrangements Governance Document, which will not be less than 28 days.

G2.13. The steps required to issue or amend the NESO Performance Arrangements Governance Document may be satisfied by action taken before, as well as by action taken after, this condition comes into effect..