

**Transmission charging and the GB
Wholesale Electricity Market**

**Part 1 An Ofgem/DTI consultation on
changes to transmission licences to
implement GB transmission
charging under BETTA**

Appendices

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Table of contents

Appendix 1 Supplementary standard conditions: NGC.....	1
Appendix 2 Supplementary standard conditions: SP Transmission and SHETL	18
Appendix 3 NGC Special Conditions (Use of Interconnector(s)).....	30
Appendix 4 SP Transmission Special Conditions (Use of Scottish interconnection).....	35
Appendix 5 SHETL Special Conditions (Use of Scottish interconnection).....	50

Appendix 1 Supplementary standard conditions: NGC

Condition C7. Charges for Use of System

1. The licensee shall:
 - (a) by the date this condition comes into effect determine 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 standard condition C7A (Use of System Charging Methodology).

2. The licensee shall by the date this condition comes into effect:
 - (a) prepare a statement approved by the Authority of the use of system charging methodology, and
 - (b) prepare, other than in respect of a charge which the Authority has consented need not so appear, a statement, in a form approved by the Authority, of use of system charges determined in accordance with the use of system charging methodology and in such form and in such detail as shall be necessary to enable any person to make (other than in relation to charges to be made or levied in respect of the balancing services activity) a reasonable estimate of the charges to which he would become liable for the provision of such services,

and, without prejudice to paragraph 5 of this condition or paragraph 3 of standard condition C7A (Use of System Charging Methodology), if any change is made in the use of system charges to be so made other than in relation to charges to be made in respect of the balancing services activity, or the use of system charging methodology, the licensee shall, before the changes take effect, furnish the Authority with a revision of the statement of use of system charges (or if the Authority so accepts, 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.

3. Approvals by the Authority pursuant to paragraphs 1(a) and 2(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 relevant 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.
4. Nothing in this condition shall affect the ability of the licensee to charge according to the statement issued pursuant to paragraph 2(b).
5. 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 use of system charges other than in relation to charges to be made in respect of the balancing services activity, together with a reasonable assessment of the effect of the proposals (if implemented) on, those charges, and
 - (b) where it has decided to implement any proposals to change use of system charges other than in relation to charges to be made in respect of the balancing services activity, shall give the Authority notice of its decision and the date on which the proposals will be implemented which shall not, without the consent of the Authority, be less than a month after the date on which the notice required by this sub-paragraph was given.
6. Unless otherwise determined by the Authority, the licensee shall only enter arrangements for use of system which secure that use of system charges will conform with the statement last furnished under paragraph 2(b) either:
 - (a) before it enters into the arrangements; or
 - (b) before the charges in question from time to time fall to be made,and, for the purposes of this paragraph, the reference to the statement last furnished under paragraph 2(b) shall be construed, where that statement is subject to amendments so furnished before the relevant time, as a reference to that statement as so amended.

7. References in paragraphs 1, 2, 5 and 6 to charges do not include references to:
 - (a) connection charges; or
 - (b) to the extent, if any, to which the Authority has accepted they would, as respects certain matters, be so determined, charges determined by reference to the provisions of the CUSC.

8. 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 2 and shall, 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 shall continue to be accurate in all material respects.

9. The licensee shall send a copy of any such statement, revision, amendment or notice given under paragraphs 2 or 5 to any person who asks for any such statement, revision, amendment or notice.

10. The licensee may make a charge for any statement, revision, or amendment of a statement, furnished, or notice sent pursuant to paragraph 9 of an amount reflecting the licensee's reasonable costs of providing such statement, revision, amendment or notice which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

Condition C7A. Use of System Charging Methodology

1. The licensee shall, for the purpose of ensuring that the use of system charging methodology achieves the relevant objectives, keep the use of system charging methodology at all times under review
2. The licensee shall, subject to paragraph 3, make such modifications of the use of system charging methodology as may be requisite for the purpose of better achieving the relevant objectives.
3. Except with the consent of the Authority, before making a modification to the use of system charging methodology, the licensee shall:
 - (a) consult the CUSC users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
 - (b) send a copy of the terms of the proposed modification to any person who asks for them;
 - (c) furnish the Authority with a report setting out;
 - (i) the terms originally proposed for the modification;
 - (ii) the representations (if any) made to the licensee;
 - (iii) any change in the terms of the modification intended in consequence of such representations;
 - (iv) how the intended modification better achieves the relevant objectives; and
 - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph 4 expires; and
 - (d) where the Authority has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Authority may specify in the direction.

4. Where the licensee has complied with the requirements of paragraph 3, it shall, unless the Authority has within 28 days of the report being furnished to him given a direction that the modification may not be made, make the modification to the use of system charging methodology.
5. In paragraphs 1, 2 and 3 “the relevant objectives” shall mean the following objectives:
 - (a) 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;
 - (b) that compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs incurred by the licensee in its transmission business; and
 - (c) that, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in the licensee’s transmission business.
6. The licensee shall send a copy of any report furnished under paragraph 3 to any person who asks for any such report.
7. The licensee may make a charge for any report sent pursuant to paragraph 6 of an amount reflecting the licensee's reasonable costs of providing such report which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.
8. Nothing in this condition shall impact on the application of special conditions AA5A to AA5E.

Condition C7B. Connection Charging Methodology

1. The licensee shall:
 - (a) by the date this condition comes into effect determine a connection charging methodology approved by the Authority; and
 - (b) conform to the connection charging methodology as modified in accordance with paragraph 10.
2. The licensee shall, for the purpose of ensuring that the connection charging methodology achieves the relevant objectives, keep the connection charging methodology at all times under review.
3. The licensee shall, subject to paragraph 9, make such modifications to the connection charging methodology as may be requisite for the purpose of better achieving the relevant objectives.
4. The licensee shall by the date this condition comes into effect prepare a statement approved by the Authority of the connection charging methodology in relation to charges, including charges:
 - (a) for the carrying out of works and the provision and installation of electrical lines or electrical plant or meters for the purposes of connection (at entry or exit points) to the licensee's transmission system;
 - (b) in respect of extension or reinforcement of the licensee's transmission system rendered (at the licensee's discretion) necessary or appropriate by virtue of 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 licensee's discretion) 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 making a connection to the licensee's transmission system; and

- (e) for disconnection from the licensee's transmission system and the removal of electrical plant, electrical lines and meters following disconnection, and the statement referred to in this paragraph shall be in such form and in such detail as shall be necessary to enable any person to determine that the charges to which he would become liable for the provision of such services are in accordance with such statement.
5. An approval by the Authority pursuant to paragraph 1(a) and 4 may be granted subject to such conditions relating to further action to be undertaken by the licensee in relation to the connection charging methodology better meeting the relevant 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.
 6. Nothing in this condition shall affect the ability of the licensee to charge according to the statement issued pursuant to paragraph 4.
 7. Unless otherwise determined by the Authority, the licensee shall only enter into a bilateral agreement or a construction agreement which secures that the connection charges will conform with the statement of the connection charging methodology last furnished under paragraphs 4 or 10 either:
 - (a) before it enters into the arrangements; or
 - (b) before the charges in question from time to time fall to be made.
 8. The connection charging methodology shall make provision for connection charges for those items referred to in paragraph 4 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 licensee's transmission system or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters; and

(b) a reasonable rate of return on the capital represented by such costs, and for connections made before 30 March 1990 the connection charging methodology for those items referred to in paragraph 4 shall as far as is reasonably practicable reflect the principles in sub-paragraphs (a) and (b).

9. Except with the consent of the Authority, before making a modification to the connection charging methodology the licensee shall:

- (a) consult the CUSC users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
- (b) send a copy of the terms of the proposed modification to any person who asks for them;
- (c) furnish the Authority with a report setting out:
 - (i) the terms originally proposed for the modification;
 - (ii) the representations (if any) made to the licensee;
 - (iii) any change in the terms of the modification intended in consequence of such representations;
 - (iv) how the intended modification better achieves the relevant objectives; and
 - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph 10 expires; and
- (d) where the Authority has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Authority may specify in the direction.

10. Where the licensee:

- (a) has complied with the requirements of paragraph 9, it shall, unless the Authority has within 28 days of the report being furnished to it given a direction that the modification may not be made, make the modification to the connection charging methodology;
 - (b) makes a modification to the connection charging methodology, furnish the Authority with a revised statement showing the changed connection charging methodology and such revised statement of the connection charging methodology shall supersede previous statements of the connection charging methodology furnished under paragraph 4 or this paragraph 8 from the date specified therein.
- 11. In paragraphs 2, 3 and 9 “the relevant objectives” shall mean:
 - (a) the objectives referred to in paragraph 5 of standard condition C7A(Use of System Charging Methodology), as if references therein to the use of system charging methodology were to the connection charging methodology; and
 - (b) in addition, the objective, in so far as consistent with sub-paragraph (a), of facilitating competition in the carrying out of works for connection to the licensee’s transmission system.
- 12. A statement furnished under paragraphs 4 or 10 shall, 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.
- 13. The licensee shall send a copy of any statement or revision of a statement or report furnished under paragraphs 4, 9 or 10 to any person who asks for any such statement or revision thereof or report.
- 14. The licensee may make a charge for any statement or revision of a statement or report, furnished or sent pursuant to paragraph 13 of an amount reflecting the licensee's reasonable costs of providing such which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

15. Nothing in this condition shall impact on the application of special conditions AA5A to AA5E.

Condition C7C. Non- discrimination

1. In the provision of use of system or in the carrying out of works for the purpose of connection to the licensee's transmission system, the licensee shall not discriminate as between any persons or class or classes of persons.
2. Without prejudice to paragraph 1 and subject to paragraph 3, the licensee shall not make charges for provision of use of system to any authorised electricity operator or class or classes of authorised electricity operator which differ in respect of any item separately identified in the statement referred to at paragraph 2(b) of standard condition C7 (Charges for Use of System) 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 in so far as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraph 2, the licensee shall not make use of system charges in respect of any item of charge separately identified in the statement referred to at paragraph 2(b) of standard condition C7 (Charges for Use of System) on any authorised electricity operator whose contract does not provide for him to receive the service to which such item of charge refers.
4. The licensee shall not in setting use of system charges restrict, distort or prevent competition in the generation, transmission, supply or distribution of electricity.

Condition C7D. Requirement to Offer Terms

1. Unless otherwise determined by the Authority under standard condition C7E (Functions of the Authority), on application made by:
 - (a) any 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 shall (subject to paragraph 5) offer to enter into the CUSC Framework Agreement.

2. On application made by any person the licensee shall (subject to paragraph 5) offer to enter into a bilateral agreement and/or a construction agreement relating to connection or modification to an existing connection and such offer shall make detailed provision regarding:
 - (a) the carrying out of work (if any) required to connect the licensee's 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 licensee's transmission system rendered (in the licensee's discretion) 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) the installation of appropriate meters (if any) required to enable the licensee to measure electricity being accepted into the licensee's transmission system at the specified entry point or points or leaving such system at the specified exit point or points;
 - (d) the date by which any works required to permit access to the licensee's transmission system (including for this purpose any works to reinforce or extend the licensee's transmission system) shall be completed (time being of the essence unless otherwise agreed by the person seeking connection);

- (e) the connection charges to be paid to the licensee, such charges:
 - (i) to be presented in such a way as to be referable to the connection charging methodology or any revision thereof; and
 - (ii) to be set in conformity with the requirements of paragraph 8 of standard condition C7B (Connection Charging Methodology) and (where relevant) paragraph 4; and
 - (f) such further terms as are or may be appropriate for the purpose of the agreement.
3. 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 the licensee or any other person as a result of carrying out such works whether by reason of the reinforcement or extension of the licensee's 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 the licensee to recoup a proportion of such costs from third parties.
4. The licensee shall offer terms in accordance with paragraphs 1 and 2 above 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 6 below 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.
5. The licensee shall not be obliged pursuant to 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 under section 9 of the Act;

- (ii) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business;
 - (iii) in breach of the licensee's Grid Code; or
 - (iv) in breach of the conditions; or
 - (b) the person making the application does not undertake to be bound insofar as applicable by the terms of the licensee's 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 1, such person ceases to be an authorised electricity operator.
6. For the purpose of paragraph 4, the period specified shall 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, 3 months; and
 - (c) in any other case, 28 days.
7. The licensee shall 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 then in force made pursuant to sections 6(3), 60 and 64(1) of the Act.

Condition C7E. Functions of the Authority

1. 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 pursuant to a request under standard condition C7D (Requirement to Offer Terms), the Authority may, pursuant to section 7(3)(c) of the Act 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 (in so far as relevant) regard in particular to the following considerations:
 - (a) that such authorised electricity operator or such person should pay to the licensee:
 - (i) in the case of use of system, use of system charges in accordance with paragraphs 1 and 6 of standard condition C7 (Charges for Use of System); or
 - (ii) in the case of connection charges in accordance with paragraphs 1 and 7 of standard condition C7B (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 at paragraph 5 of standard condition C7D (Requirement to Offer Terms);
 - (c) that any methods by which the licensee's transmission system is connected to any other system for the transmission or distribution of electricity accord (insofar as applicable to the licensee) with the licensee's Grid Code and with the Distribution Code; and
 - (d) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under standard condition C7D (Requirement to Offer Terms) should be in as similar a form as is practicable.

2. Insofar as any person entitled or claiming to be entitled to an offer under standard condition C7D (Requirement to Offer Terms) wishes to proceed on the basis of an agreement as settled by the Authority pursuant to paragraph 1, the licensee shall forthwith enter into such agreement.
3. If in respect of any bilateral agreement or construction agreement to the licensee's transmission system entered into pursuant to standard condition C7D (Requirement to Offer Terms) 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.
4. 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 (in so far as 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.
5. If the licensee and a CUSC user or other person 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 standard condition C7 (Charges for Use of System) which applied or applies 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 C7B (Connection Charging Methodology) which applied or applies in relation to the period in respect of which the dispute arises,

such dispute may be referred to the Authority for him to determine whether, in the case of sub-paragraph (a), the charges made, or to be made, conformed with the relevant statement(s) furnished under standard condition C7 (Charges for Use of System), or whether, in the case of sub-paragraphs (b), the charges conformed with the relevant methodology.

6. For the purposes of this condition:

“relevant agreement” means an agreement in respect of which paragraph 3 of standard condition 10C of the licensee’s licence, as such applied immediately prior to 18 September 2001 had effect.

Appendix 2 Supplementary standard conditions: SP Transmission and SHETL

Condition D8. Basis of charges for use of system and connection to system: requirements for transparency

1. The licensee shall as soon as practicable after this licence has come into force and, in any event, not later than such date as the Authority shall specify prepare a statement approved by the Authority setting out the basis upon which charges will be made for use of the licensee's transmission system and for connection to the licensee's transmission system, such statement to be in such form and to contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for the provision of such services, and (without prejudice to the foregoing) including such of the information set out in paragraphs 2 and 3 as is required by such paragraphs to be included in the relevant statement.
2. Except to the extent that the Authority shall otherwise specify, the statement referred to in paragraph 1 shall in respect of use of system include:
 - (a) a schedule of charges for the transmission of electricity under use of system;
 - (b) the charge for maintaining voltage and frequency within statutory limits;
 - (c) a schedule of adjustment factors to be made in respect of transmission losses, in the form of additional supplies required to cover those transmission losses;
 - (d) the methods by which and the principles on which charges (if any) for availability of transmission capacity on the licensee's transmission system will be made;
 - (e) a schedule of the charges (if any) which may be made for the provision and installation of any meters or electrical plant at entry or exit points, the provision and installation of which is ancillary to the grant of use of system, and for the maintenance of such meters or electrical plant;

- (f) the methods by which and the principles on which entry and exit charges for connections in operation before the date on which this licence comes into force will be calculated; and
 - (g) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this condition.
3. The statement referred to in paragraph 1 shall in respect of connections to the licensee's transmission system include -
- (a) a schedule listing those items (including the carrying out of works and the provision and installation of electric lines or electrical plant or meters) of significant cost liable to be required for the purpose of connection (at entry or exit points) to the licensee's transmission system for which connection charges may be made or levied and including (where practicable) indicative charges for each such item and (in other cases) an explanation of the methods by which and the principles on which such charges will be calculated;
 - (b) the methods by which and the principles on which any charges will be made in respect of extension or reinforcement of the licensee's transmission system rendered necessary or appropriate by virtue of providing connection to or use of system to any person seeking connection;
 - (c) the methods by which and the principles on which connection charges will be made in circumstances where the electric lines or electrical plant to be installed are (at the licensee's discretion) of greater size or capacity than that required for use of system by the person seeking connection;
 - (d) the methods by which and the principles on which any charges (including any capitalised charge) will be made for maintenance, replacement and repair required of electric lines, electrical plant or meters provided and installed for making a connection to the licensee's transmission system;
 - (e) the methods by which and principles on which any charges will be made for disconnection from the licensee's transmission system and the removal of electrical plant, electric lines and ancillary meters following disconnection; and

- (f) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this condition.
- 4. Connection charges for those items referred to in paragraph 3 shall be set at a level which will enable the licensee to recover:
 - (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the licensee's transmission system or the provision and installation, maintenance, replacement and repair or (as the case may be) removal following disconnection of any electric lines, electrical plant, meters or other items; and
 - (b) a reasonable rate of return on the capital represented by such costs.
- 5. The licensee shall as soon as practicable after this licence has come into force and, in any event, not later than such date as the Authority shall specify prepare a statement approved by the Authority showing in respect of each of the 7 succeeding financial years circuit capacity, forecast power flows and loading on each part of its transmission system and fault levels for each transmission node, together with:
 - (a) such further information as shall be reasonably necessary to enable any person seeking use of system to identify and evaluate the opportunities available when connecting to and making use of such system;
 - (b) a commentary prepared by the licensee indicating the licensee's views as to those parts of the licensee's transmission system most suited to new connections and the transmission of further quantities of electricity; and
 - (c) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this condition.
- 6. The licensee shall include in every statement prepared or (as the case may be) given or sent under paragraph 5 the information required by such paragraph, save that the licensee may, with the prior consent of the Authority, omit from any such statement any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the Authority, seriously and prejudicially affect the commercial interests of the licensee or any third party.

7. In addition to, and without prejudice to, the licensee's obligations under paragraph 1, the licensee shall, upon being directed to do so in directions issued by the Authority from time to time for the purposes of this condition and within such period as shall be specified in the directions, prepare a statement or statements approved by the Authority providing that charges for use of the licensee's transmission system and/or for connection to the licensee's transmission system will be made on such basis as shall be specified in the directions and such statement or statements shall be in such form and contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for the provision of such services and (without prejudice to the foregoing) including such information as shall be specified in the directions. Each statement prepared in accordance with this paragraph shall, with effect from the date on which it is approved by the Authority or such later date as the Authority shall specify, replace the corresponding statement prepared by the licensee in accordance with paragraph 1 or, as the case may be, this paragraph (as from time to time revised in accordance with paragraph 8) which is in force at such date and the licensee shall, with effect from such date make charges in accordance with the statement (as from time to time revised in accordance with paragraph 8) which has replaced such corresponding statement.
8. The licensee may periodically revise the statements prepared in accordance with paragraphs 1, 5 and 7 and shall, at least once in every year this licence is in force, make any necessary revisions to such statements in order that the information set out in the statements shall continue to be accurate in all material respects.
9. The licensee shall send a copy of the statements prepared in accordance with paragraphs 1, 5 and 7, and of each revision of such statements in accordance with paragraph 8, to the Authority. Each such revision shall require to be approved by the Authority and shall not become effective until approved by the Authority.
10. The licensee shall give or send a copy of the statements prepared in accordance with paragraphs 1, 5 and 7 or (as the case may be) of the latest revision of such statements in accordance with paragraph 8 approved by the Authority pursuant to such paragraph to any person who requests a copy of such statement or statements.
11. The licensee may make a charge for any statement given or sent pursuant to paragraph 10 of an amount reflecting the licensee's reasonable costs of providing

such a statement which shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.

12. The licensee shall, not less than 5 months prior to the date on which it proposes to amend its use of system charges in respect of any agreement for use of system, send to the Authority a notice setting out the licensee's proposals in relation to such amendment together with an explanation of the proposed amendment (including a statement of any assumptions on which such proposals are based), and the licensee shall send a copy of such notice to any person who has entered into an agreement for use of system under standard condition D8B (Requirement to Offer Terms).
13. Except with the prior consent of the Authority, the licensee shall not amend its use of system charges in respect of any agreement for use of system save to the extent that it has given prior notice of the amendment in accordance with paragraph 12 and such amendment reflects the proposals made in the notice (subject only to revisions consequent upon material changes in the matters which were expressed, in the statement which accompanied the notice, to be assumptions on which the proposals were based).

Condition D8A. Non-discrimination in the provision of use of system and connection to system

1. In the provision of use of system or in the carrying out of works for the purpose of connection to the licensee's system or in providing for the retention of a connection to its system the licensee shall not discriminate as between any persons or class or classes of person.
2. Without prejudice to paragraph 1, and subject to paragraph 4, the licensee shall not make charges for use of system to any person or class or classes of persons which differ from the charges for such provision to any other person or class or classes of persons except insofar as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraph 2, the licensee shall not make or levy use of system charges in respect of any item of charge separately identified in the statement referred to at paragraph 1 of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) on any person whose contract does not provide for him to receive the service to which such item of charge refers.
4. The licensee shall not in setting its charges for use of system restrict, distort or prevent competition in the generation, transmission, distribution or supply of electricity.

Condition D8B. Requirement to offer terms

1. On application made by any authorised electricity operator, the licensee shall (subject to paragraph 5) offer to enter into an agreement for use of system:
 - (a) to accept into the licensee's transmission system at such entry point or points and in such quantities as may be specified in the application, electricity to be provided by or on behalf of such authorised electricity operator;
 - (b) to deliver such quantities of electricity as are referred to in sub-paragraph (a) (less any transmission losses) to such exit point or points on the licensee's transmission system and to such person or persons as the authorised electricity operator may specify;
 - (c) specifying the use of system charges to be paid by the authorised electricity operator, such charges (unless manifestly inappropriate) to be referable to the statement prepared in accordance with (as appropriate) paragraph 1 (or, as the case may be, paragraph 8) of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) or any revision thereof; and
 - (d) containing such further terms as are or may be appropriate for the purposes of the agreement.

2. On application made by any person the licensee shall (subject to paragraph 5) offer to enter into an agreement for the provision of a connection or for the modification of an existing connection to the licensee's transmission system, and such offer shall make detailed provision regarding:
 - (a) the carrying out of works (if any) required to connect the licensee's transmission system to any other system for the transmission of electricity, and for the obtaining of any consents necessary for such purposes;
 - (b) the carrying out of works (if any) in connection with the extension or reinforcement of the licensee's transmission system rendered necessary or appropriate by reason of making the connection or modification to an

existing connection and for the obtaining of any consents necessary for such purposes;

- (c) the installation of appropriate meters (if any) required to enable the licensee to measure electricity being accepted into the licensee's system at the specified entry point or points or leaving such system at the specified exit point or points;
- (d) the installation of such switchgear or other apparatus (if any) as may be required for the interruption of supply where the person seeking connection or modification of an existing connection does not require the provision by an affiliate or related undertaking of the licensee of top-up or standby supplies or sales of electricity;
- (e) the date by which any works required so as to permit access to the licensee's transmission system (including for this purpose any works to reinforce or extend the licensee's transmission system) shall be completed and so that, unless otherwise agreed by the person making the application, a failure to complete such works by such date shall be a material breach of the agreement entitling the person to repudiate the agreement;
- (f) the connection charges to be paid to the licensee, such charges (unless manifestly inappropriate):
 - (i) to be presented in such a way as to be referable to the statements prepared in accordance with (as appropriate) paragraph 1 (or, as the case may be, paragraph 8) of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) or any revision thereof; and
 - (ii) to be set in conformity with the requirements of paragraph 4 of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) and (where relevant) of paragraph 3 of this condition;
- (g) the installation of special metering or telemetry or data processing equipment (if any) for the purpose of enabling any person which is a party to the Settlement Agreement for Scotland to comply with its obligations in

respect to metering thereunder or the performance by the licensee of any service in relation to such metering thereunder; and

- (h) such further matters as are or may be appropriate for the purposes of the agreement.
3. For the purpose of determining an appropriate proportion of the costs directly or indirectly incurred in carrying out works (or in relation to any of the other matters referred to in sub-paragraph 4(a) of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency)) under an agreement for making a connection or modification to an existing connection, the licensee shall have regard to:
- (a) the benefit (if any) to be obtained or likely in the future to be obtained by the licensee or any other person as a result of the carrying out of such works (or of such other matters) whether by reason of the reinforcement or extension of the licensee's 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 the licensee to recoup a proportion of such costs from third parties.
4. The licensee shall offer terms for agreements in accordance with paragraphs 1 and 2 as soon as practicable and (save where the Authority consents to a longer period) in any event not more than the period specified in paragraph 6 after receipt by the licensee (or its agent) of all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer.
5. The licensee shall not be obliged pursuant to this condition to offer to enter or to enter into any agreement:
- (a) if to do so would be likely to involve the licensee being:
 - (i) in breach of its duties under section 9 of the Act;
 - (ii) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect to the transmission business;

- (iii) in breach of the conditions to which this licence is subject; or
 - (iv) in breach of any relevant Grid Code;
 - (b) if the person making the application does not undertake to be bound, insofar as applicable, by the terms of any relevant Grid Code from time to time in force;
6. For the purpose of paragraph 4, the period specified shall be:
- (a) in the case of persons seeking use of system only, 28 days;
 - (b) in the case of persons seeking connection or a modification to an existing connection, 3 months; and
 - (c) in the case of person seeking use of system in conjunction with connection, 3 months.
7. The licensee shall 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 to like effect contained in any further regulations then in force made pursuant to sections 6(3), 60 and 64(1) of the Act.

Condition D8C. Functions of the Authority

1. 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 any person entitled or claiming to be entitled thereto pursuant to a request under standard condition D8B (Requirement to Offer Terms), the Authority may, on the application of that person or the licensee, settle any terms of the agreement in dispute between the licensee and that person in such manner as appears to the Authority to be reasonable having (insofar as relevant) regard in particular to the following considerations:
 - (a) that such person should pay to the licensee:
 - (i) in the case of provision of use of system, the use of system charges determined in accordance with paragraphs 1 and 2 of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency); and
 - (ii) in the case of provision of a connection, or a modification to an existing connection, to the system the whole or an appropriate proportion (as determined in accordance with paragraph 3 of standard condition D8B (Requirement to Offer Terms)) of the costs referred to in sub-paragraph 4(a) of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency), together with a reasonable rate of return on the capital represented by such costs;
 - (b) that no such person should pay any charges such as are referred to in sub-paragraph 3(b) of standard condition D8 (Basis of Charges for Use of System and Connection to System: Requirement for Transparency) in respect of any connection to the licensee's transmission system or any modification to an existing connection made prior to such date as shall be specified in a direction issued by the Authority for the purposes of this condition and that no such charges should be paid in respect of any such connection or modification made after such date unless the Authority is satisfied that the extension or reinforcement in respect of which the charges are to be paid was rendered necessary or appropriate by virtue of providing connection to or use of system to the person or making such a modification;

- (c) that the performance by the licensee of its obligations under the agreement should not involve the licensee in a breach such as is referred to in subparagraph 5 (a) of standard condition D8B (Requirement to Offer Terms);
 - (d) that any methods by which the licensee's transmission system is connected to any other system for the transmission of electricity accord (insofar as applicable to the licensee) with any relevant Grid Code and with any relevant Distribution Code; and
 - (e) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to an application under standard condition D8B (Requirement to Offer Terms) should be, so far as circumstances allow, in as similar a form as is practicable.
2. In so far as any person entitled or claiming to be entitled to an offer under standard condition D8B (Requirement to Offer Terms) wishes to proceed on the basis of the agreement as settled by the Authority, the licensee shall forthwith enter into and implement such agreement in accordance with its terms.
 3. If either party to such agreement proposes to vary the contractual terms of any agreement for the provision of a connection or for the modification of an existing connection to the licensee's transmission system, for the retention of an established connection to such system or for use of system entered into pursuant to standard condition D8B (Requirement to Offer Terms) or under this condition in any manner provided for under such agreement, the Authority may, at the request of that party, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable.

Appendix 3 NGC Special Conditions (Use of Interconnector(s))

Special Condition AA1: Basis of Charges for Use of Interconnector(s) and Requirement to Offer Terms

1. Charges for use of interconnector (s) shall be set at a level which will enable the licensee to recover no more than a reasonable rate of return on the capital represented by the interconnector (s).
2. On application made by any person (and subject to constraints imposed by the capacity of any interconnector (s) and the amount of that capacity already contracted to third parties) the licensee shall (subject to paragraph 3) offer to enter into an agreement for use of interconnector(s) to convey across any interconnector(s) electricity to be provided by or on behalf of such person.
3. The licensee shall not be obliged pursuant to this condition to offer to enter or to enter into an agreement with any person if:
 - (a) to do so would be likely to involve the licensee
 - (i) in breach of its duties under section 9 of the Act;
 - (ii) in breach of the conditions; or
 - (b) if the person making the application does not undertake to be bound by the terms of any code of general application or agreement made with the co-operator of any interconnector (s) governing the operation and maintenance of interconnector (s) approved for the time being by the Authority.
4. For the purposes of this condition:

“co-operator” means any person other than the licensee who owns assets which are used in conjunction with an interconnector (s) or who is able to exercise jointly with the licensee control over the use made of the

interconnector (s).

Special Condition AA1A: Non-discrimination in the Provision of Use of

Interconnector(s)

1. In the provision of use of interconnector(s) the licensee shall not discriminate between any persons or class or classes of persons.
2. Without prejudice to paragraph 1, the licensee shall not make, provide, or offer to provide an agreement for use of interconnector(s) to any person or class or classes of persons on terms as to price which are materially more or less favourable than those on which it makes, provides or offers to provide an agreement for use of Interconnector(s) to any other comparable person or group of persons. For those purposes, due regard shall be had to the circumstances of provision, including volumes, conditions of interruptibility, and the date and duration of the agreement.
3. The licensee shall not in setting its charges for use of interconnector(s) restrict, distort or prevent competition in the transmission, supply, distribution or generation of electricity.
4. The licensee shall not be in breach of this condition where by reason of having previously granted use of interconnector(s), there is no further available capacity in respect of which to grant use of interconnector(s).

Special Condition AA1B: Functions of the Authority

1. Upon the application of any person wishing to question the terms of an agreement for use of interconnector(s) offered pursuant to special condition AA1 (Basis of Charges for Use of Interconnector(s) and Requirement to Offer Terms) or required to be offered under the terms of any agreement previously entered into for use of interconnector(s) by the person or persons entitled to use thereunder or upon application of the licensee, the Authority may, pursuant to section 7(3)(c) of the Act, settle any terms of the agreement in dispute between the licensee and that person or between such persons (as the case may be) in such manner as appears to the Authority to be reasonable having (in so far as relevant) regard in particular to the following considerations:
 - (a) 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 at paragraph 3 of special condition AA1 (Basis of Charges for Use of Interconnector(s) and Requirement to Offer Terms); and
 - (b) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under special condition AA1 (Basis of Charges for Use of Interconnector(s) and Requirement to Offer Terms) or the person or persons entitled to use of interconnector(s) under any agreement previously made with the licensee (as the case may be) should be, so far as circumstances allow, in as similar a form as practicable.
2. In so far as any person entitled to an offer under special condition AA1 (Basis of Charges for Use of Interconnector(s) and Requirement to Offer Terms) wishes to proceed on the basis of the agreement as settled by the Authority, the licensee shall forthwith enter into and implement such agreement in accordance with its terms.

Special Condition AA1C: Requests for Transit

1. In this condition:

“entity” means any of the entities referred to in Article 3.1 of the Directive of the Council of the European Communities, dated 29th October 1990, (No.90/547/EEC) on the transit of electricity through transmission grids (“the Directive”);

“grid” means any high-voltage electricity transmission grid for the time being listed in the Annex to the Directive;

“Member State” means a Member State of the European Communities;

“transit” means a transaction for the transport of electricity between grids where :

- (a) the grid of origin or final destination is situated in a Member State; and
- (b) the transport involves -
 - (i) the crossing of at least one frontier between Member States; and
 - (ii) the use of the licensee’s transmission system and at least two other grids.

2. Any entity applying in connection with transit for an agreement for use of system shall be treated for the purposes of standard conditions C7C (Non-Discrimination), C7D (Requirement to Offer Terms) and C7E (Functions of the Authority) as an authorised electricity operator.

3. The licensee shall, after receiving in connection with transit for a minimum duration of one year an application by any entity for an agreement for -

- (a) use of system;
- (b) connection to the licensee’s transmission system or modification to an

existing connection; or

- (c) use of interconnector(s),

notify the Secretary of State, the Authority and the Commission of the European Communities without delay of the matters set out in paragraph 4 below.

4. The matters of which notification must be given are:

- (a) the application;
- (b) if an agreement has not been concluded within 12 months of the date of receipt of the application, the reasons for the failure to conclude it; and
- (c) the conclusion of the agreement, whether it is concluded before or after the expiry of the period mentioned in sub-paragraph (b) above.

5. If, in relation to an application for transit by any entity, the Authority has been requested to exercise its powers under standard condition C7E (Functions of the Authority) or special condition AA1B (Functions of the Authority), the Authority may delay the exercise of its said powers until the terms have been considered by the body set up under Article 3.4 of the Directive and the Authority may give such weight to the opinion (if any) of that body as it thinks fit in exercising its said powers.

Appendix 4 SP Transmission Special Conditions (Use of Scottish interconnection)

Special Condition B: Basis of charges for use of the Scottish interconnection

1. Unless (and except for so long as) the Authority approves otherwise, charges for use of the Scottish interconnection shall be set at a level which will enable the licensee to recover no more than a reasonable rate of return on the relevant proportion of the capital represented by the Scottish interconnection.
2. The licensee shall as soon as practicable after the transmission licence has come into force, and, in any event, not later than such date as the Authority shall specify, prepare a statement approved by the Authority setting out the basis upon which charges for use of the Scottish interconnection will be made, such statement to be in such form and to contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for use of the Scottish interconnection, and (without prejudice to the foregoing) including the information required to be included therein pursuant to paragraph 3.
3. Except to the extent that the Authority shall otherwise specify, the statement referred to in paragraph 2 shall include:
 - (a) a schedule of charges for transport of electricity under use of the Scottish interconnection;
 - (b) the charge for maintaining voltage and frequency within statutory limits;
 - (c) a schedule of the adjustment factors to be made in respect of transmission losses, in the form of additional supplies required to cover those transmission losses;

- (d) the methods by which and the principles on which charges (if any) will be made for availability of capacity on the Scottish interconnection; and
 - (e) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this Condition.
4. In addition to, and without prejudice to, the licensee's obligations under paragraph 2, the licensee shall, upon being directed to do so in directions issued by the Authority from time to time for the purposes of this Condition and within such period as shall be specified in the directions, prepare a statement approved by the Authority providing that charges for use of the Scottish interconnection will be made on such basis as shall be specified in the directions and such statement shall be in such form and contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for use of the Scottish interconnection and (without prejudice to the foregoing) including such information as shall be specified in the directions. Each statement prepared in accordance with this paragraph shall, with effect from the date on which it is approved by the Authority or such later date as the Authority shall specify, replace the corresponding statement prepared by the licensee in accordance with paragraph 2 or, as the case may be, this paragraph (as from time to time revised in accordance with paragraph 5) which is in force at such date and the licensee shall, with effect from such date, make charges for use of the Scottish interconnection in accordance with the statement (as from time to time revised in accordance with paragraph 5) which has replaced such corresponding statement.
5. The licensee may periodically revise the statement prepared in accordance with paragraph 2 or, in the event that the licensee shall have prepared a statement in accordance with paragraph 4, that statement or the latest of such statements and shall, at least once in every year the transmission licence is in force, revise such statement in order that the information set out therein shall continue to be accurate in all material respects. Each such revision shall require to be approved by the Authority and shall not become effective until approved by the Authority.

6. The licensee shall as soon as practicable after the transmission licence has come into force and, in any event, not later than such date as the Authority shall specify prepare a statement approved by the Authority showing:
 - (a) the amount of the capacity of the Scottish interconnection which the licensee anticipates will be available for the transfer of electricity from Scotland to England and England to Scotland during each remaining week of the year ending on 31 March 1991 as notified by the licensee to Scottish Hydro-Electric Transmission Limited pursuant to the Interconnector Agreement;
 - (b) the amount of that capacity in relation to which Scottish Hydro-Electric Transmission Limited has a right to require the licensee to receive and deliver electricity as referred to in sub-paragraph (b) of paragraph 13;
 - (c) the licensee's forecast of the amount of the remainder of the capacity of the Scottish interconnection which will be used for the transfer of electricity from Scotland to England and from England to Scotland during each week referred to in sub-paragraph (a) above; and
 - (d) such other matters (if any) as the Authority shall specify prior to its approval of the statement.
7. The licensee shall, as soon as practicable (and, in any event, within such period as the Authority shall specify) after giving a notification such as is referred to in sub-paragraph (a) of paragraph 6 to Scottish Hydro Electric Transmission Limited in respect of the year ending on 31 March 1992 and each subsequent year, prepare a statement approved by the Authority showing the matters referred to in sub-paragraphs (a) to (d) of paragraph 6 in respect of that year.
8. The licensee shall send a copy of the statement prepared in accordance with paragraph 2 and any statement prepared in accordance with paragraph 4, and of each revision of such statements in accordance with paragraph 5, and of each statement prepared in accordance with paragraphs 6 and 7 and with paragraphs 3(a) and 8 of Special Condition D (Requirement to Offer Terms), to the Authority.

9. The licensee shall give or send a copy of the statement prepared in accordance with paragraph 2, any statement prepared in accordance with paragraph 4 or (as the case may be) of the latest revision of the relevant statement in accordance with paragraph 5 approved by the Authority pursuant to such paragraph and of each statement prepared in accordance with paragraphs 6 and 7 to any person who requests a copy of such statement.
10. The licensee shall also give or send a copy of each statement prepared in accordance with paragraphs 3(a) and 8 of Special Condition D (Requirement to Offer Terms) to any person who requests a copy of such statement.
11. The licensee may make a charge for any statement given or sent pursuant to paragraph 9 of an amount reflecting the licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this Condition.
12. The licensee may within 10 days after receipt of the relevant request provide an estimate of its reasonable costs in the preparation of any statement referred to in paragraph 10, and its obligation to provide such statement shall be conditional on the person requesting such statement agreeing to pay the amount estimated or such other amount as the Authority may, upon the application of the licensee or the person requesting such statement, direct.
13. For the purposes of this Condition and Special Conditions C (Non-discrimination in the provision of use of the Scottish Interconnection), D (Requirement to Offer Terms), E (Functions of the Authority) and G (Requests for Transit):

“Combined Delivery Point”	means the points at the boundary between the licensee's authorised transmission area and Scottish Hydro-Electric Transmission Limited's authorised transmission area defined as such in the Interconnector Agreement.
“co-operator”	means any person other than the licensee who owns assets which are used in conjunction with the interconnection or who is able to exercise jointly with the licensee control over the use made of the interconnection.
“interconnection”	<p>means:</p> <p>the 275 kV transmission circuits between and including the associated switchgear at Harker sub-station in Cumbria and the associated switchgear at Strathaven sub-station in Lanarkshire;</p> <p>the 275 kV transmission circuit between and including the associated switchgear at Cockenzie in East Lothian and the associated switchgear at Stella in Tyne and Wear; and</p> <p>the 400 kV transmission circuit between and including the associated switchgear at Torness in East Lothian and the associated switchgear at Stella in Tyne and Wear</p> <p>all as existing at the date on which the transmission licence comes into force and as from time to time maintained, repaired or renewed, together with any alteration, modification or addition (other than maintenance, repair or renewal) which is primarily designed to effect a permanent increase in one or</p>

more Particular Interconnection Capacities as they exist immediately prior to such alteration, modification or addition and as from time to time maintained, repaired or renewed; and

the 132 kV transmission circuit between and including (and directly connecting) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria; and

the 132 kV transmission circuit between and including (and connecting, via Junction V) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria

all as existing at the date on which the transmission licence comes into force and as from time to time maintained, repaired or renewed.

“Interconnector Agreement”

means at any time the agreement relating to the matter referred to in sub-paragraph (a) of paragraph 2 of Special Condition F (Submission of Certain Agreements) in force at that time which has been entered into and submitted to the Authority pursuant to that Condition as the same may be amended from time to time with the approval of the Authority given pursuant to such Condition.

“Particular Interconnection Capacity”

means the capacity of the interconnection for transferring electricity from Scotland to England or vice versa in respect of any particular system conditions.

“relevant proportion of the capital represented by the Scottish interconnection”

means at any time, a proportion of such capital equal to the percentage of the Reserved Share (as defined in the Interconnector Agreement) of the

	licensee at that time.
“Scottish interconnection”	means such part of the interconnection as is situated in Scotland.
“Southern Delivery Point”	means the points at the boundary between the licensee's authorised transmission area and the Transmission Company's authorised transmission area defined as such in the Interconnector Agreement.
“Transmission Company”	means The National Grid Company plc or any other person who holds a transmission licence under Section 6(1)(b) of the Act for an authorised area in England and Wales.
“Upgrade”	means any alteration, modification or addition to the Interconnected Scottish Power System (as defined in the Interconnector Agreement) which is primarily designed to effect a permanent increase in one or more Particular Interconnection Capacities.
“use of the Scottish interconnection”	shall exclude: the rights conferred upon Scottish Hydro-Electric Transmission Limited under the Interconnector Agreement to require the licensee: (a) to receive electricity from Scottish Hydro-Electric Transmission Limited at the Combined Delivery Point (and from certain generating stations referred to in the Interconnector Agreement) and deliver such electricity (less losses as referred to in the Interconnector Agreement) to the Transmission Company at the Southern Delivery Point; and/or

- (b) to receive electricity from the Transmission Company at the Southern Delivery Point and deliver such electricity (less losses as referred to in the Interconnector Agreement) to Scottish Hydro-Electric Transmission Limited at the Combined Delivery Point

Special Condition C: Non-discrimination in the provision of use of the Scottish interconnection

1. In the provision of use of the Scottish interconnection the licensee shall not discriminate:
 - (a) between any person or class or classes of persons; or
 - (b) between any affiliate of the licensee which holds a supply licence or generation licence and any other person or class or classes of person.
2. Without prejudice to paragraph 1, and subject to paragraph 3, the licensee shall not make charges for the provision of use of the Scottish interconnection to any person or class or classes of persons which differ from the charges for such provision:
 - (a) to any other person or class or classes of persons; or
 - (b) to any affiliate of the licensee holding a supply licence or a generation licence;

except insofar as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraphs 1 and 2, the licensee shall not make charges for use of the Scottish interconnection in respect of any item of charge separately identified in any statement such as is referred to at paragraphs 2 and 4 of Special Condition B (Basis for Charges for use of the Scottish interconnection) on any person whose contract does not provide for it to receive the service to which such item of charge refers.

4. The licensee shall not in setting its charges for use of the Scottish interconnection restrict, distort or prevent competition in the transmission, supply, distribution or generation of electricity.
5. The licensee shall:
 - (a) comply with and perform its obligations under the Interconnector Agreement;
 - (b) exercise its rights and perform its obligations under the Interconnector Agreement in a manner which is designed to facilitate the carrying out of Upgrades proposed by Scottish Hydro-Electric Transmission Limited pursuant to the Interconnector Agreement (but, for the avoidance of doubt, so that the licensee shall have no obligation to participate in any Upgrade proposed by Scottish Hydro-Electric Transmission Limited);
 - (c) not exercise or perform such rights or obligations in a manner which is designed to have the effect of inhibiting or preventing competition in the supply of electricity from Scotland to England or from England to Scotland; and
 - (d) not exercise or perform its rights or obligations under any related document in a manner which is designed to have the effect referred to in subparagraph (c) above.
6. The licensee shall not be in breach of this Condition or Special Conditions B (Basis of Charges for use of the Scottish interconnection), D (Requirement to Offer Terms) or E (Functions of the Authority), by reason only of a failure to do or not do any thing which it is prevented from doing or not doing by reason of a failure by Scottish Hydro-Electric Transmission Limited to comply with and perform its obligations under the Interconnector Agreement or by a party to a related document or a person who is obliged to comply with a related document to comply with and perform its obligations under the related document in question.
7. The licensee shall keep and maintain such records concerning the provision of use of the Scottish interconnection as are, in the opinion of the Authority, sufficient to enable the Authority to assess whether the licensee is performing its obligations under paragraph 1 and the licensee shall furnish to the Authority such records (or

such of these as the Authority may require), in such manner and at such times as the Authority may require.

8. In this Condition:

“related document”	means any agreement, code, rules, or arrangement relating to the use of the E&W interconnection for the time being in force and to which the licensee is a party or with which the licensee is obliged to comply.
“E&W interconnection”	means such part of the interconnection as is not situated in Scotland.
“generation licence”	means a licence granted under Section 6(1)(a) of the Act.
"supply licence"	means a licence granted under Section 6(1)(d) of the Act.

Special Condition D: Requirement to offer terms

1. On application made by any person, the licensee shall (except in a case where paragraph 2 applies and subject to paragraph 7) offer to enter into an agreement for use of the Scottish interconnection to transport across the Scottish interconnection in such quantities and for such periods as may be specified in the application, electricity to be provided by or on behalf of such person:
 - (a) specifying the charges for use of the Scottish interconnection to be paid by the person seeking use of the Scottish interconnection, such charges to be referable to the statement referred to at paragraph 2 or (as the case may be) paragraph 4 of Special Condition B (Basis of Charges for use of the Scottish interconnection) or any revision thereof; and
 - (b) containing such further terms as are or may be appropriate for the purposes of the agreement.
2. This paragraph applies in any case where, on the application of the licensee or any person entitled or claiming to be entitled to an offer pursuant to an application

under paragraph 1, the Authority shall determine that (having regard to the part of the capacity of the Scottish interconnection already contracted to persons other than affiliates and related undertakings of the licensee and the part thereof approved by the Authority as being reserved to affiliates and related undertakings of the licensee) the capacity of the Scottish interconnection is insufficient to accommodate the requirements of the person who has made application for an offer pursuant to paragraph 1.

3. In a case where paragraph 2 applies:
 - (a) the licensee shall (subject to paragraph 12 of Special Condition B (Basis of Charges for use of the Scottish interconnection)), if requested by the person who has made application for an offer pursuant to paragraph 1 and within such period as the Authority shall specify in its determination under paragraph 2, prepare a statement approved by the Authority setting out the basis upon which charges will be made for the costs which the licensee would incur if an Upgrade were to be carried out in accordance with the Interconnector Agreement to accommodate the requirements of the person who has made the application for an offer pursuant to paragraph 1, such statement to be in such form and to contain such detail as shall be necessary to enable such person to make a reasonable estimate of the charges to which he would become liable in respect of the Upgrade; and
 - (b) following the preparation of a statement under sub-paragraph (a) above, the licensee shall, on the application of the person who has made the application for an offer pursuant to paragraph 1, offer to enter into:
 - (i) an agreement pursuant to which the licensee undertakes to exercise its rights under the Interconnector Agreement to require the carrying out of an Upgrade; and
 - (ii) an agreement such as is referred to in paragraph 1, but so that the licensee shall not be bound to make use of the Scottish interconnection available pursuant to such agreement until the time of completion of the Upgrade.

4. Charges in respect of Upgrades carried out pursuant to an agreement such as is referred to in sub-paragraph (b)(i) of paragraph 3 will be set at a level which will enable the licensee to recover:
 - (a) the appropriate proportion of the costs directly incurred by the licensee in connection with Upgrades; and
 - (b) a reasonable rate of return on the capital represented by such costs.
5. For the purpose of determining an appropriate proportion of the costs directly incurred in connection with an Upgrade, the licensee shall have regard to:
 - (a) the benefit (if any) to be obtained or likely in the future to be obtained by the licensee or any other person from the increase in the capacity of the Scottish interconnection resulting from the Upgrade; and
 - (b) the ability or likely future ability of the licensee to recoup a proportion of such costs from third parties.
6. The licensee shall offer terms for agreements in accordance with paragraph 1 and paragraph 3(b) as soon as practicable and (save where the Authority consents to a longer period) in any event not more than the period specified in paragraph 9 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.
7. The licensee shall not be obliged pursuant to this Condition to offer to enter or to enter into any agreement:
 - (a) if to do so would involve the licensee:
 - (i) in breach of its duties under Section 9 of the Act; or
 - (ii) in breach of the Electricity Supply Regulations 1988 or of any regulations made under Section 29 of the Act or of any other enactment relating to safety or standards applicable to the interconnection; or
 - (iii) in breach of the standard conditions or Special Conditions of this licence; or

- (b) if the person making the application does not undertake to be bound by the terms of any code of general application or agreement between the licensee and any co-operator of the interconnection governing the operation of and maintenance of the interconnection approved for the time being by the Authority; or
 - (c) if (in the case of an application for an agreement for use of the Scottish interconnection to transport electricity from the Southern Delivery Point) the electricity to be so transported is to be transported from the northern end of the Scottish interconnection to the Combined Delivery Point under an agreement for use of the licensee's transmission system or the distribution system of the licensee's affiliate or related undertaking; or
 - (d) if (in the case of an application for an agreement for use of the Scottish interconnection to transport electricity to the Southern Delivery Point) the electricity to be so transported is to be transported from the Combined Delivery Point to the northern end of the Scottish interconnection under an agreement for use of the licensee's transmission system or the distribution system of the licensee's affiliate or related undertaking.
8. If so requested by any person, the licensee shall (subject to paragraph 12 of Special Condition B (Basis of Charges for use of the Scottish interconnection)), as soon as practicable and in any event not later than the expiry of such period as the Authority, on the application of the person making the request, shall determine for this purpose, give or send to such person a statement approved by the Authority setting out the basis upon which charges will be made for the costs which the licensee would incur if an Upgrade were to be carried out in accordance with the Interconnector Agreement to accommodate the requirements of such person as specified in the request, such statement to be in such form and to contain such detail as shall be necessary to enable such person to make a reasonable estimate of the charges to which it would become liable in respect of the Upgrade.
9. For the purpose of paragraph 1, the period specified shall be 28 days. For the purpose of paragraph 3(b), the period specified shall be 3 months.
10. The licensee shall 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 paragraph 8 of Part 1 and paragraphs 2(v) and (vi) of Part 2 of Schedule 2 to the Electricity (Application for Licences and Extensions of Licences) Regulations 1990 or such provisions to like effect contained in any further regulations then in force made pursuant to Sections 6A(2), 60 and 64(1) of the Act.

Special Condition E: Functions of the Authority

1. 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 any person entitled or claiming to be entitled thereto pursuant to a request under Special Condition D (Requirement to Offer Terms) the Authority may, on the application of such person or the licensee, settle any terms of the agreement in dispute between the licensee and that person in such manner as appears to the Authority to be reasonable having (insofar as relevant) regard in particular to the following considerations:
 - (a) that such person should pay to the licensee charges determined in accordance with Special Conditions B (Basis of Charges for use of the Scottish interconnection), C (Non-discrimination in the provision of use of the Scottish interconnection) and D (Requirement to Offer Terms); and
 - (b) that the performance by the licensee of its obligations under the agreement should not involve it in such a breach as is referred to in paragraph 7 of Special Condition D (Requirement to Offer Terms);
 - (c) that the obligations of the licensee under the agreement should not be in conflict with the provisions of the Interconnector Agreement or any relevant document for the time being approved by the Authority; and
 - (d) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under Special Condition D (Requirement to Offer Terms) should be, so far as circumstances allow, in as similar a form as is practicable.
2. If the person wishes to proceed on the basis of the agreement as settled by the Authority, the licensee shall forthwith enter into and implement such agreement in accordance with its terms.
3. If the licensee proposes to vary the contractual terms of any agreement entered into pursuant to Special Condition D (Requirement to Offer Terms) or this Condition 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.

Appendix 5 SHETL Special Conditions (Use of Scottish interconnection)

Special Condition B: Basis of charges for use of the Scottish interconnection

1. Unless (and except for so long as) the Authority approves otherwise, charges for use of the licensee's share of the Scottish interconnection shall be set at a level which will enable the licensee to recover no more than an appropriate proportion of the licensee's Scottish interconnection costs.
2. The licensee shall as soon as practicable after the transmission licence has come into force, and, in any event, not later than such date as the Authority shall specify, prepare a statement approved by the Authority setting out the basis upon which charges for use of the Scottish interconnection will be made, such statement to be in such form and to contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for use of the Scottish interconnection, and (without prejudice to the foregoing) including the information required to be included therein pursuant to paragraph 3.
3. Except to the extent that the Authority shall otherwise specify, the statement referred to in paragraph 2 shall include:
 - (a) a schedule of charges for transport of electricity under use of the licensee's share of the Scottish interconnection;
 - (b) the charge for maintaining voltage and frequency within statutory limits;
 - (c) a schedule of the adjustment factors to be made in respect of transmission losses, in the form of additional supplies required to cover those transmission losses;
 - (d) the methods by which and the principles on which charges (if any) will be made for the licensee making available transmission capacity from the licensee's share of the Scottish interconnection; and

(e) a description of the Annual Fixed Charge and the Capacity Charge referred to in paragraph 14(c); and

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

4. In addition to, and without prejudice to, the licensee's obligations under paragraph 2, the licensee shall, upon being directed to do so in directions issued by the Authority from time to time for the purposes of this Condition and within such period as shall be specified in the directions, prepare a statement approved by the Authority providing that charges for use of the licensee's share of the Scottish interconnection will be made on such basis as shall be specified in the directions and such statement shall be in such form and contain such detail as shall be necessary to enable any person to make a reasonable estimate of the charges to which it would become liable for use of the Scottish interconnection and (without prejudice to the foregoing) including such information as shall be specified in the directions. Each statement prepared in accordance with this paragraph shall, with effect from the date on which it is approved by the Authority or such later date as the Authority shall specify, replace the corresponding statement prepared by the licensee in accordance with paragraph 2 or, as the case may be, this paragraph (as from time to time revised in accordance with paragraph 5) which is in force at such date and the licensee shall, with effect from such date, make charges for use of the licensee's share of the Scottish interconnection in accordance with the statement (as from time to time revised in accordance with paragraph 5) which has replaced such corresponding statement.
5. The licensee may periodically revise the statement prepared in accordance with paragraph 2 or, in the event that the licensee shall have prepared a statement in accordance with paragraph 4, that statement or the latest of such statements and shall, at least once in every year the transmission licence is in force, revise such statement in order that the information set out therein shall continue to be accurate in all material respects. Each such revision shall require to be approved by the Authority and shall not become effective until approved by the Authority.

6. The licensee shall as soon as practicable after the transmission licence has come into force and, in any event, not later than such date as the Authority shall specify prepare a statement approved by the Authority showing:
 - (a) the amount of the capacity of the Scottish interconnection which the licensee anticipates will be available for the transfer of electricity from Scotland to England and England to Scotland during each remaining week of the year ending on 31 March 1991 as notified by SP Transmission Limited to the licensee pursuant to the Interconnector Agreement;
 - (b) the amount of that capacity in relation to which the licensee has a right to require SP Transmission Limited to receive and deliver electricity as referred to in sub-paragraph (b) of paragraph 14;
 - (c) the licensee's forecast of the amount of the amount of the capacity referred to in sub-paragraph (b) above which will be used for the transfer of electricity from Scotland to England and from England to Scotland during each week referred to in sub-paragraph (a) above; and
 - (d) such other matters (if any) as the Authority shall specify prior to its approval of the statement.
7. The licensee shall, as soon as practicable (and, in any event, within such period as the Authority shall specify) after receiving a notification such as is referred to in sub-paragraph (a) of paragraph 6 from SP Transmission Limited in respect of the year ending on 31 March 1992 and each subsequent year, prepare a statement approved by the Authority showing the matters referred to in sub-paragraphs (a) to (d) of paragraph 6 in respect of that year.
8. The licensee shall send a copy of the statement prepared in accordance with paragraph 2 and any statement prepared in accordance with paragraph 4, and of each revision of such statements in accordance with paragraph 5, and of each statement prepared in accordance with paragraphs 6 and 7 and with paragraphs 3(a) and 8 of Special Condition D (Requirement to Offer Terms), to the Authority.

9. The licensee shall give or send a copy of the statement prepared in accordance with paragraph 2, any statement prepared in accordance with paragraph 4 or (as the case may be) of the latest revision of the relevant statement in accordance with paragraph 5 approved by the Authority pursuant to such paragraph and of each statement prepared in accordance with paragraphs 6 and 7 to any person who requests a copy of such statement.
10. The licensee shall also give or send a copy of each statement prepared in accordance with paragraphs 3(a) and 8 of Special Condition D (Requirement to Offer Terms) to any person who requests a copy of such statement.
11. The licensee may make a charge for any statement given or sent pursuant to paragraph 9 of an amount reflecting the licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this Condition.
12. The licensee may within 10 days after receipt of the relevant request provide an estimate of its reasonable costs in the preparation of any statement referred to in paragraph 10, and its obligation to provide such statement shall be conditional on the person requesting such statement agreeing to pay the amount estimated or such other amount as the Authority may, upon the application of the licensee or the person requesting such statement, direct.

For the purposes of determining an appropriate proportion of the licensee's Scottish interconnection costs as referred to in paragraph 1, the licensee shall have regard to:

- (a) the amount of the export quantities of electricity and/or import quantities of electricity, and the proportion of the licensee's share of the Scottish interconnection capacity, in respect of which use of the licensee's share of the Scottish interconnection is granted by the licensee;
- (b) the duration of the relevant agreement; and
- (c) such other matters (if any) as the Authority shall specify from time to time.

For the purposes of this Condition and Special Conditions C (Non-discrimination in the provision of use of the Scottish Interconnection), D (Requirement to Offer Terms), E (Functions of the Authority) and G (Requests for Transit):

“Combined Delivery Point”	means the points at the boundary between the licensee's authorised transmission area and SP Transmission Limited's authorised transmission area defined as such in the Interconnector Agreement.
“co-operator”	means any person other than the licensee who owns assets which are used in conjunction with the interconnection or who is able to exercise jointly with another person control over the use made of the interconnection.
"export quantities of electricity"	means quantities of electricity provided by or on behalf of a person making an application under paragraph 1 of Special Condition D (Requirement to Offer Terms) at an entry point on the licensee's system (other than the Combined Delivery Point) and delivered (less any losses) to the Combined Delivery Point under an agreement for use of system entered into pursuant to an application made by the person under paragraph 1 of standard condition D 8B (Requirement to Offer Terms).
“import quantities of electricity”	means quantities of electricity provided by or on behalf of a person making an application under paragraph 1 of Special Condition D (Requirement to Offer Terms) at an entry point on the transmission company's transmission system and delivered (less any transmission losses) to the Southern Delivery Point under an agreement for use of system and/or an agreement for use of interconnectors entered into pursuant to an application made by the person under the licence granted to the transmission company under Section 6(1)(b) of the Act or pursuant to any related document (as defined in

paragraph 8 of Special Condition C (Non-discrimination in the provision of use of the Scottish Interconnection)).

“Interconnector Agreement”	means at any time the agreement relating to the matter referred to in sub-paragraph (a) of paragraph 2 of Special Condition F (Submission of Certain Agreements) in force at that time which has been entered into and submitted to the Authority pursuant to that Condition, as the same may be amended from time to time with the approval of the Authority given pursuant to such Condition.
“the licensee’s Scottish interconnection costs”	shall mean the charges defined as the Annual Fixed Charge and the Capacity Charge in the Interconnector Agreement which are payable by the licensee to SP Transmission Limited pursuant to the Interconnector Agreement.
“Particular Interconnection Capacity”	means the capacity of the interconnection for transferring electricity from Scotland to England or vice versa in respect of any particular system conditions.
“Southern Delivery Point”	means the points at the boundary between SP Transmission Limited authorised transmission area and the transmission company's authorised transmission area defined as such in the Interconnector Agreement.
"Transmission Company"	means The National Grid Company plc or any other person who holds a transmission licence under Section 6(1)(b) of the Act for an authorised area in England and Wales.
“Upgrade”	means any alteration, modification or addition to the Interconnected Scottish Power System (as defined in the Interconnector Agreement) which is primarily

designed to effect a permanent increase in one or more Particular Interconnection Capacities as more particularly defined in the Interconnector Agreement.

“use of the licensee’s share of the Scottish interconnection”

shall mean the exercise by the licensee of the rights conferred upon it under the Interconnector Agreement to require SP Transmission Limited:

(a) to receive electricity from the licensee at the Combined Delivery Point and deliver such electricity (less losses as referred to in the Interconnector Agreement) to the transmission company at the Southern Delivery Point; and/or

(b) to receive electricity from the transmission company at the Southern Delivery Point and deliver such electricity (less losses as referred to in the Interconnector Agreement) to the Licensee at the Combined Delivery Point; and

(c) any reference to “charges for use of the licensee’s share of the Scottish Interconnection” shall be to charges payable by persons other than the licensee in respect of the licensee exercising such rights to require SP Transmission Limited to receive and deliver electricity provided by or on behalf of such persons and cognate expressions shall be construed accordingly.

Special Condition C: Non-discrimination in the provision of use of the Scottish interconnection

1. In the provision of use of the licensee's share of the Scottish interconnection the licensee shall not discriminate:
 - (a) between any person or class or classes of persons; or
 - (b) between any affiliate of the licensee which holds a supply licence or a generation licence and any person or class or classes of persons.

2. Without prejudice to paragraph 1, the licensee shall not make or provide, or offer to make or provide, an agreement for use of the licensee's share of the Scottish interconnection to any person or class or classes of persons on terms as to price which are materially more or less favorable than those on which it makes, provides or offers to make or provide an agreement for use of the licensee's share of the Scottish interconnection to any other comparable person or class of persons.

For those purposes, due regard shall be had to the circumstances in which such agreement is made or provided or offered to be made or provided, including volumes, conditions of interruptibility, and the date and duration of the agreement.

3. Notwithstanding paragraphs 1 and 2, the licensee shall not make charges for use of the licensee's share of the Scottish interconnection in respect of any item of charge separately identified in the statement referred to at paragraphs 2 and 4 of Special Condition B (Basis of Charges for use of the Scottish Interconnection) on any person whose contract does not provide for it to receive the service to which such item of charge refers.
4. The licensee shall not in setting its charges for use of the licensee's share of the Scottish interconnection restrict, distort or prevent competition in the transmission, supply, distribution or generation of electricity.
5. The licensee shall:
 - (a) comply with and perform its obligations under the Interconnector Agreement;

- (b) exercise its rights and perform its obligations under the Interconnector Agreement in a manner which is designed to facilitate the carrying out of Upgrades proposed by SP Transmission Limited pursuant to the Interconnector Agreement (but, for the avoidance of doubt, so that the licensee shall have no obligation to participate in any Upgrade proposed by SP Transmission Limited);
 - (c) not exercise or perform such rights or obligations in a manner which is designed to have the effect of inhibiting or preventing competition in the supply of electricity from Scotland to England or from England to Scotland;
- and
- (d) not exercise or perform its rights or obligations under any related document in a manner which is designed to have the effect referred to in sub-paragraph (c) above.
6. The licensee shall not be in breach of this Condition or Special Conditions B (Basis of Charges for use of the Scottish Interconnection), D (Requirement to Offer Terms) or E (Functions of the Authority) by reason only of a failure to do or not do any thing which it is prevented from doing or not doing by reason of a failure by SP Transmission Limited to comply with and perform its obligations under the Interconnector Agreement or by a party to a related document or a person who is obliged to comply with a related document to comply with and perform its obligations under the related document in question.
 7. The licensee shall keep and maintain such records concerning the provision of use of the licensee's share of the Scottish interconnection as are, in the opinion of the Authority, sufficient to enable the Authority to assess whether the licensee is performing its obligations under paragraph 1 and the licensee shall furnish to the Authority such records (or such of these as the Authority may require), in such manner and at such times as the Authority may require.
 8. In this Condition:

“related document”	means any agreement, code, rules, or arrangement relating to the use of the E&W
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interconnection for the time being in force and to which the licensee is a party or with which the licensee is obliged to comply.

“E&W interconnection”

means such part of the interconnection as is not situated in Scotland

"generation licence"

means a licence granted under Section 6(1)(a) of the Act.

"supply licence"

means a licence granted under Section 6(1)(d) of the Act.

Special Condition D: Requirement to offer terms

1. On application made by any person, the licensee shall (except in a case where paragraph 2 applies and subject to paragraph 7) offer to enter into an agreement for use of the licensee's share of the Scottish interconnection:
 - (a) under which the licensee undertakes to require SP Transmission Limited:
 - (i) to accept delivery of such export quantities of electricity as may be specified in the application into SP Transmission Limited transmission system at the Combined Delivery Point; and
 - (ii) to deliver such export quantities of electricity (less losses as referred to in the Interconnector Agreement) to the Southern Delivery Point;and/or
 - (iii) to accept delivery of such import quantities of electricity as may be specified in the application into SP Transmission Limited's transmission system at the Southern Delivery Point; and
 - (iv) to deliver such import quantities of electricity (less losses as referred to in the Interconnector Agreement) to the Combined Delivery Point;
 - (b) specifying the charges for use of the licensee's share of the Scottish interconnection to be paid by the person seeking use of the licensee's share of the Scottish interconnection, such charges to be referable to the statement referred to at paragraph 2 or (as the case may be) paragraph 4 of Special Condition B (Basis of Charges for use of the Scottish Interconnection) or any revision thereof; and
 - (c) containing such further terms as are or may be appropriate for the purposes of the agreement.
2. This paragraph applies in any case where, on the application of the licensee or any person entitled or claiming to be entitled to an offer pursuant to an application under paragraph 1, the Authority shall determine that (having regard

to the part of the licensee's share of the Scottish interconnection capacity already contracted to persons other than affiliates and related undertakings of the licensee and the part thereof approved by the Authority as being reserved to affiliates and related undertakings of the licensee) the licensee's share of the Scottish interconnection capacity is insufficient to accommodate the requirements of the person who has made application for an offer pursuant to paragraph 1.

3. In a case where paragraph 2 applies:
 - (a) the licensee shall (subject to paragraph 12 of Special Condition B (Basis of Charges for use of the Scottish Interconnection)), if requested by the person who has made application for an offer pursuant to paragraph 1 and within such period as the Authority shall specify in its determination under paragraph 2, prepare a statement approved by the Authority setting out the basis upon which charges will be made for the costs which the licensee would incur if an Upgrade were to be carried out in accordance with the Interconnector Agreement to accommodate the requirements of the person who has made the application for an offer pursuant to paragraph 1, such statement to be in such form and to contain such detail as shall be necessary to enable such person to make a reasonable estimate of the charges to which he would become liable in respect of the Upgrade; and
 - (b) following the preparation of a statement under sub-paragraph (a) above, the licensee shall, on the application of the person who has made the application for an offer pursuant to paragraph 1, offer to enter into:
 - (i) an agreement pursuant to which the licensee undertakes to exercise its rights under the Interconnector Agreement to require the carrying out of an Upgrade; and
 - (ii) an agreement such as is referred to in paragraph 1, but so that the licensee shall not be bound to make use of the Scottish interconnection available pursuant to such agreement until the time of completion of the Upgrade.

4. Charges in respect of Upgrades carried out pursuant to an agreement such as is referred to in sub-paragraph (b)(i) of paragraph 3 will be set at a level which will enable the licensee to recover:
 - (a) the appropriate proportion of the costs directly incurred by the licensee in connection with Upgrades; and
 - (b) a reasonable rate of return on the capital represented by such costs.
5. For the purpose of determining an appropriate proportion of the costs directly incurred in connection with an Upgrade, the licensee shall have regard to:
 - (a) the benefit (if any) to be obtained or likely in the future to be obtained by the licensee or any other person from the increase in the capacity of the Scottish interconnection resulting from the Upgrade; and
 - (b) the ability or likely future ability of the licensee to recoup a proportion of such costs from third parties.
6. The licensee shall offer terms for agreements in accordance with paragraph 1 and paragraph 3(b) as soon as practicable and (save where the Authority consents to a longer period) in any event not more than the period specified in paragraph 9 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.
7. The licensee shall not be obliged pursuant to this Condition to offer to enter or to enter into any agreement:
 - (a) if to do so would involve the licensee:
 - (i) in breach of its duties under Section 9 of the Act; or
 - (ii) in breach of the Electricity Supply Regulations 1988 or of any regulations made under Section 29 of the Act or of any other enactment relating to safety or standards applicable to the interconnection; or
 - (iii) in breach of the standard conditions or Special Conditions of this licence; or

- (b) if the person making the application does not undertake to be bound by the terms of any code of general application or agreement between the licensee and any co-operator of the interconnection governing the operation of and maintenance of the interconnection approved for the time being by the Authority.
8. If so requested by any person, the licensee shall (subject to paragraph 12 of Special Condition B (Basis of Charges for use of the Scottish Interconnection)), as soon as practicable and in any event not later than the expiry of such period as the Authority, on the application of the person making the request, shall determine for this purpose, give or send to such person a statement approved by the Authority setting out the basis upon which charges will be made for the costs which the licensee would incur if an Upgrade were to be carried out in accordance with the Interconnector Agreement to accommodate the requirements of such person as specified in the request, such statement to be in such form and to contain such detail as shall be necessary to enable such person to make a reasonable estimate of the charges to which it would become liable in respect of the Upgrade.
9. For the purpose of paragraph 1, the period specified shall be 28 days. For the purpose of paragraph 3(b), the period specified shall be 3 months.
10. The licensee shall 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 paragraph 8 of Part 1 and paragraphs 2(v) and (vi) of Part 2 of Schedule 2 to the Electricity (Application for Licences and Extensions of Licences) Regulations 1990 or such provisions to like effect contained in any further regulations then in force made pursuant to Sections 6A(2), 60 and 64(1) of the Act.

Special Condition E: Functions of the Authority

1. 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 any person entitled or claiming to be entitled thereto pursuant to a request under Special Condition D (Requirement to Offer Terms) the Authority may, and on the application of such person or the licensee, settle any terms of the agreement in dispute between the licensee and that person in such manner as appears to the Authority to be reasonable having (insofar as relevant) regard in particular to the following considerations:
 - (a) that such person should pay to the licensee charges determined in accordance with Special Conditions B (Basis of Charges for use of the Scottish Interconnection), C (Non-discrimination of the provision of use of the Scottish Interconnection) and D (Requirement to Offer Terms); and
 - (b) that the performance by the licensee of its obligations under the agreement should not involve it in such a breach as is referred to in paragraph 7 of Special Condition D (Requirement to Offer Terms);
 - (c) that the obligations of the licensee under the agreement should not be in conflict with the provisions of the Interconnector Agreement or any relevant document for the time being approved by the Authority; and
 - (d) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under Special Condition D (Requirement to Offer Terms) should be, so far as circumstances allow, in as similar a form as is practicable.
2. If the person wishes to proceed on the basis of the agreement as settled by the Authority, the licensee shall forthwith enter into and implement such agreement in accordance with its terms.
3. If the licensee proposes to vary the contractual terms of any agreement entered into pursuant to Special Condition D (Requirement to Offer Terms) or this Condition 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.