

**TRANSITIONAL MODIFICATIONS TO AMENDED STANDARD CONDITIONS AND
SPECIAL CONDITIONS OF ELECTRICITY TRANSMISSION LICENCE OF SCOTTISH
HYDRO-ELECTRIC TRANSMISSION LIMITED**

Note:

- 1** This document shows the proposed modifications to the standard conditions and the special conditions of SHETL's transmission licence which it is anticipated the Secretary of State will make in exercise of her powers under Chapter 1 of Part 3 of the Energy Act 2004 (save that this document does not show deleted conditions).
- 2** The text of the proposed modifications to the standard conditions and the special conditions of SHETL's transmission licence which it is anticipated the Secretary of State will make ("proposed designation text") is contained in a number of annexes (the "Annexes") which are also being published on this website today. (It is anticipated that annexes in the same form as the Annexes will form part of the direction from the Secretary of State to modify the standard conditions and the special conditions of SHETL's transmission licence).
- 3** The attached document, which is being made available for information purposes only, is intended to show the proposed designation text in the context of the relevant licence conditions. It should not, however, be relied upon in any consideration of the proposed modifications, for which reference should be made to the proposed designation text referred to at paragraph 2 above.
- 4** There may be differences between the way the proposed modifications are shown in the attached documents and the way the proposed designation text is expressed in the Annexes. Any differences are unintentional and may be due to the software used to produce the attached documents.

PART III. AMENDED STANDARD CONDITIONS

1. Standard condition 1 shall be amended by the addition of the following text as an additional definition :

""bulk supply point" means any point at which electricity is delivered from a transmission system to any distribution system."

3. Standard condition 5 (Regulatory Accounts) shall be amended by the addition of the following text as a new paragraph 11 of that condition:

"11. In addition to, and without prejudice to, the licensee's obligations under the foregoing paragraphs of this condition the licensee shall comply with the provisions of Schedule B to the Special Conditions."

5. Standard condition ~~42B5~~ (Prohibition of ~~Cross-Subsidies~~cross-subsidies) shall be amended by the addition of the following text as a new paragraph 2 of that condition:

"2. Nothing which the licensee is obliged to do or not to do pursuant to this licence or any other document which grants a licence to the licensee under the Act shall be regarded as a cross-subsidy for the purposes of this condition."

Special Condition B. Activities restrictions

1. Subject to the provisions of paragraph 2 below (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I of this licence to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.
2. The licensee shall not:
 - ~~(a) — co-ordinate or direct the flow of electricity onto or over the whole or any part of the GB transmission system except where permitted to do so under the STC, subject to the approval of the Authority, or where required to do so by any other licence condition; and~~ (b) — outside its transmission area, make available assets comprising part of the GB transmission system which are intended for the purpose of conveying or affecting the flow of electricity.

Special Condition C. Restriction on use of certain information

1. Any information relating to or deriving from the management or operation of the transmission business shall, for the purposes of this condition, be treated as confidential information.
2. The licensee shall not (and shall procure that its affiliates and related undertakings shall not) disclose or authorise access to confidential information:
 - (a) save to the extent provided by sub-paragraphs 3(b) to (d), to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of any other business (whether or not a separate business) of the licensee; or
 - (b) save to the extent permitted by paragraph 3, to any other person.
3. Subject to paragraphs 9 to 12 of special condition D (Independence of and appointment of managing director of the transmission), the licensee shall (and shall procure that its affiliates and related undertakings shall) disclose or authorise access to confidential information only:
 - (a) in the following circumstances, namely;
 - (i) to such of its (or its affiliates' or related undertakings') employees, agents, advisers, consultants or contractors as are engaged in, or in respect of, the management or operation of the transmission business or any external transmission activities and require access to the information for that purpose;
 - (ii) to personnel of any holder of a distribution licence or a transmission licence holder engaged in the external distribution activities of that distribution licence holder, or the external transmission activities of that transmission licence holder (as the case may be), to the extent necessary for the performance by such personnel of those external distribution activities, or those external transmission activities (as the case may be), and the use by such personnel of that information for that purpose;

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

- (b) where the licensee (or any affiliate or related undertaking of the licensee) is required or permitted to disclose such information by virtue of:
 - (i) any requirement of a competent authority;
 - (ii) the standard conditions of any licence granted or taking effect as if granted under the Act or any document referred to in such a licence with which it is required by virtue of the Act or that licence to comply;
 - (iii) any other requirement of law; or
 - (iv) the rules of the Electricity Arbitration Association or of any judicial or other arbitral process or tribunal of competent jurisdiction;
- (c) where such information was provided by or relates to any person who has notified (or otherwise agreed with) the licensee that it need not be treated as confidential; ~~or~~
- (d) where such information, not being information provided by or relating to any person other than the licensee, is placed by the licensee in the public domain; or
- (e) where such information is required for the purposes of assisting other transmission licence holders, including in the case of National Grid Company plc in the capacity of the party who has been identified by the Minister for Energy as the party whose application to be GB System Operator the government is minded to accept, to prepare for and plan and develop the operation of a GB transmission system and such other matters as will facilitate the implementation of new arrangements relating to the trading and transmission of electricity in Great Britain designed –

(i) to promote the creation of a single competitive wholesale electricity trading market, and

(ii) to introduce a single set of arrangements for access to and use of any transmission system in Great Britain,

and in each case the licensee shall disclose or authorise access to the confidential information only insofar as is necessary or appropriate in all the circumstances.

4. Subject to paragraphs 9 to 12 of special condition D (Independence of and appointment of managing director of the transmission business), the licensee shall use all reasonable endeavours to ensure that any person who is in possession of or has access to confidential information in accordance with sub-paragraph 3(a) shall use such information only for the purposes of the transmission business or any external transmission activities.

5. In this condition

"competent authority"

means the Secretary of State, the Authority, the Compliance Officer, the Stock Exchange, the Panel on Take-overs and Mergers, or any local or national agency, regulatory body, authority, department, inspectorate, minister (including Scottish Ministers), ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the United Kingdom, the United States of America or the European Community.

"confidential information"

bears the meaning given at paragraph 1.

"Electricity Arbitration Association"

means the unincorporated members' club of that name formed inter alia to promote the efficient and economic operation of the procedure for the resolution of disputes within the electricity supply industry by means of arbitration or otherwise in

accordance with its arbitration rules.

"external distribution activities"

means any business of the licensee or any affiliate or related undertaking comprising or ancillary to the maintenance, repair or operation of, or other activities in connection with any electricity distribution or transmission system other than the licensee's distribution system ("an external distribution system").

"external transmission activities"

has the meaning given to that term in special condition D (Independence of and appointment of managing director of the transmission business) of this part of this licence.

Special Condition G: 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 Annexe to the Directive.
- “Member State” means a Member State of the European Union.
- “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. The licensee shall, after receiving in connection with transit for a minimum duration of one year an application by an 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 the licensee's share of Scottish interconnection,

notify the Secretary of State, the Authority and the European Commission without delay of the matters set out in paragraph 3 below.

3. 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;
 - (c) the conclusion of the agreement, whether it is concluded before or after the expiry of the period mentioned in sub-paragraph (b) above.

4. If, in relation to an application for transit by any entity, the Authority has been requested to exercise its powers under standard condition C9 (Functions of the Authority), [D13C \(Functions of the Authority\) or special condition R \(Functions of the Authority\)](#), 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.

Special Condition J: Restriction of transmission charges

Basic Formula

1. Without prejudice to Special Condition M (Allowance in respect of security costs), the licensee shall in setting its charges for the provision of transmission services use its best endeavours to secure that in any relevant year the regulated transmission revenue shall not exceed the maximum regulated transmission revenue calculated in accordance with the following formula:

$$TR_t = R_t - KK_{Tt} + LF_t$$

where:

TR_t means the maximum regulated transmission revenue in relevant year t; and

R_t in relation to the relevant year commencing 1 April 2000, shall have a value equal to £49.15 million and in relation to any subsequent relevant year the value of it shall be derived from the following formula:

$$R_t = R_{t-1} \left[1 + \frac{RPI_t - X_T}{100} \right]$$

where

RPI_t means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index figures published or determined with respect to each of the six months July to December (inclusive) in relevant year t-1 and the arithmetic average of the Retail Price Index figures published or determined with respect to the same months in relevant year t-2.

X_T means 0.

KK_{Tt} means the correction factor (whether of a positive or negative value) to be applied to the regulated transmission revenue in

relevant year t (subject to Special Condition K (Restriction of transmission charges: adjustments), paragraph 3) which factor is to be derived as follows:

(a) in the relevant year commencing 1 April 2000:

$$KK_{Tt} = \frac{Q_{t-1}}{100} \times (C_{t-1} - T_{t-1}) \times \left(1 + \frac{IR_t}{100}\right)$$

where

C_{t-1} means the average charge per regulated unit transmitted in relevant year commencing 1 April 1999.

IR_t means that interest rate which is equal to, where KK_{Tt} in relevant year commencing 1 April 2000 (taking no account of IR for this purpose) has a positive value and C_{t-1} exceeds T_{t-1} by more than 2 per cent, the average specified rate plus 4 or, where KK_{Tt} in that relevant year commencing 1 April 2000 (taking no account of IR for this purpose) has a negative value and C_{t-1} does not exceed T_{t-1} by more than 2 per cent, the average specified rate.

Q_{t-1} has the value 12,066 (which represents the regulated quantity transmitted (expressed in GWh) by the licensee in relevant year commencing 1 April 1999).

T_{t-1} means the maximum average charge per regulated unit transmitted in relevant year commencing 1 April 1999; as determined in accordance with Schedule 5 of the form of SSE's transmission licence in force as at 31 March 2000; and

(b) in subsequent relevant years KK_{Dt} is to be derived from the following formula:

$$KK_{Tt} = (CR_{t-1} - TR_{t-1}) \left(1 + \frac{I_t}{100}\right)$$

where:

CR_{t-1} means the regulated transmission revenue in relevant year t-1.

TR_{t-1} means the maximum regulated transmission revenue in relevant year t-1.

I_t means that interest rate in relevant year t which is equal to, where KK_{Tt} (taking no account of I for this purpose) has a positive value and CR_{t-1} exceeds TR_{t-1} by more than 2 per cent, the average specified rate plus 4 or, where KK_{Tt} (taking no account of I for this purpose) has a negative value and CR_{t-1} does not exceed TR_{t-1} by more than 2 per cent, the average specified rate.

LF_t for the tenth and preceding years shall be zero and in the eleventh and for any subsequent relevant year, is derived from the following formula:

$$LF_t = LP_t - LA_t$$

where:

LP_t means an amount equal to the payments made by the licensee, in the relevant year t, in accordance with its obligations set out in Standard Licence Condition [4A4 \(Payments to the Authority\)](#) or, in respect of the eleventh relevant year, payments attributed to the transmission business of the predecessor company of the licence holder in respect of payments made to the Director General of

Electricity Supply under the licence condition entitled 'Payment of fees' in the Generation, Transmission and Public Electricity Supply Licence of the predecessor company.

LA_t is derived from the following formula:

$$LA_t = PF_t \cdot PIF_t$$

PF_t means, in respect of each relevant year, the amount given in the table appearing under that term in the part of Annex A to this Condition that applies to the licensee.

PIF_t is derived from the following formula:

$$PIF_t = \left(1 + \frac{RPI_t}{100}\right) PIF_{t-1}$$

where for the ninth relevant year PIF_{t-1} equals 1.

ANNEX A TO SPECIAL CONDITION J (RESTRICTION OF TRANSMISSION CHARGES)

SP TRANSMISSION LIMITED

PF_t

2000/01 £0.290 millions

2001/02 £0.284 millions

2002/03 £0.276 millions

2003/04 £0.270 millions

2004/05 £0.262 millions

subsequent relevant years £0.262 millions

SCOTTISH HYDRO-ELECTRIC TRANSMISSION LIMITED

PF_t

2000/01 £0.093 millions

2001/02 £0.091 millions

2002/03 £0.087 millions

2003/04 £0.085 millions

2004/05 £0.084 millions

subsequent relevant years £0.084 millions

Special Condition L: Information to be provided to the Authority in connection with the charge restriction conditions

1. Where the licensee is intending to make any change in charges for the provision of transmission services regulated under Special Condition J (Restriction of transmission charges), the licensee shall not later than the time of publication of such changes provide the Authority with:
 - (i) a written forecast of the maximum regulated transmission revenue, together with its components, in respect of the relevant year t in which such a change is to take effect and in respect of the next following relevant year $t+1$; and
 - (ii) a written estimate of the maximum regulated transmission revenue, together with its components, in respect of the relevant year $t-1$ immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 5 in respect of relevant year $t-1$ has been furnished to the Authority before the publication of the proposed change.
2. If within three months of the commencement of any relevant year t the licensee has not made any such change in charges as is referred to in paragraph 1, the licensee shall provide the Authority with a written forecast of the maximum regulated transmission revenue together with its components, in respect of relevant year t .
3. Any forecast or estimate provided in accordance with paragraph 1 or 2 shall be accompanied by such information as regards the assumptions underlying the forecast or estimate as may be necessary to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
4. Not later than six weeks after the commencement of each relevant year t , the licensee shall send to the Authority a statement as to:
 - (a) whether or not the provisions of Special Condition K (Restriction of transmission charges: adjustments) are likely to be applicable in

consequence of the regulated transmission revenue in the preceding relevant year t-1 or the two preceding relevant years t-1 and t-2; and

- (b) its best estimate as to the relevant correction factor KK_{Tt} calculated in accordance with the formula set out in Special Condition J (Restriction of transmission charges) to be applied in calculating the maximum regulated transmission revenue in respect of relevant year t.
5. Not later than three months after the end of each relevant year the licensee shall send to the Authority a statement, in respect of that relevant year, showing the specified items referred to in paragraph 7.
6. The statement referred to in the preceding paragraph shall be:
- (a) accompanied by a report from the Auditors that in their opinion such statement fairly presents each of the specified items referred to in paragraph 7 in accordance with the requirements of the charge restriction conditions and that the amounts shown in respect of each of the specified items are in accordance with the licensee's accounting records which have been maintained in respect of the transmission business in accordance with standard condition ~~5B1~~ (Regulatory ~~Accounts~~ accounts); and
 - (b) certified by a director of the licensee on behalf of the licensee that to the best of his knowledge, information and belief, after having made all reasonable inquiries,
 - (i) there is no amount included in its calculations under Special Condition J (Restriction of transmission charges) and Schedule A which represents other than bona fide consideration for the provision of transmission services the revenue from which is regulated under Special Conditions I to N and Schedule A;
 - (ii) no service has been treated as an excluded service other than a service permitted to be so treated in accordance with Schedule A; and

(iii) no amount included in the revenues stated in respect of excluded services represents other than bona fide consideration for the provision of the excluded service to which it relates.

7. The specified items to be shown in the statement referred to in paragraph 5 shall be the following:

- (a) the regulated quantity transmitted;
- (b) [no longer used]
- (c) the regulated transmission revenue;
- (d) the nature of all services provided as part of the transmission business and treated as excluded services, together with a statement of the revenues derived from each service so treated;
- (e) [no longer used]
- (f) [no longer used]
- (g) the details referred to in paragraph 5 of Special Condition M (Allowances in respect of security costs);
- (h) the value of the term LF_t together with the value of each of its component parts, as detailed in paragraph 1 of special condition J (Restriction of transmission charges); and
- (i) such other items as shall be specified in directions issued by the Authority for the purposes of Special Conditions I to N .

8. Where the Authority issues directions in accordance with paragraph 6 of Special Condition M (Allowances in respect of security costs) or paragraph 7 of Schedule A (Supplementary Provisions of the Charge Restriction Conditions), the licensee shall, if so required by the Authority and within such a period as the Authority shall specify, send to the Authority a revised statement in substitution for the licensee's statement under paragraph 5 in respect of the relevant year in question and such revised statement shall give effect to such directions.

Special Condition BO: 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 ~~DQ~~ (Requirement to ~~Offer Terms~~[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 ~~DQ~~ (Requirement to ~~Offer Terms~~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 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.
14. For the purposes of this Condition and Special Conditions ~~EP~~ (Non-discrimination in the provision of use of the Scottish ~~Interconnection~~), ~~Dinterconnection~~, Q (Requirement to ~~Offer Terms~~offer terms), ~~ER~~ (Functions of the Authority) and G (Requests for ~~Transit~~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 FS (Submission of Certain Agreements <u>certain agreements</u>) 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 <u>a transmission</u> 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 ~~EP~~: 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 ~~BO~~ (Basis of ~~Charges~~charges for use of the Scottish ~~Intereonnection~~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 ~~BO~~ (Basis of ~~Charges~~charges for use of the Scottish ~~Interconnection~~), ~~Dinterconnection~~, Q (Requirement to ~~Offer Terms~~offer terms) or ~~ER~~ (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 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 ~~BQ~~: 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 ~~BQ~~ (Basis of ~~Charges~~charges for use of the Scottish ~~Interconnection~~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 ~~BO~~ (Basis of ~~Charges~~charges for use of the Scottish ~~Interconnection~~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 ~~BO~~ (Basis of ~~Charges~~charges for use of the Scottish ~~Interconnection~~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 ~~ER~~: 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 ~~DQ~~ (Requirement to ~~Offer Terms~~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 ~~BQ~~ (Basis of ~~Charges~~charges for use of the Scottish ~~Interconnection~~), ~~C~~interconnection), ~~P~~ (Non-discrimination of the provision of use of the Scottish ~~Interconnection~~interconnection) and ~~DQ~~ (Requirement to ~~Offer Terms~~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 ~~DQ~~ (Requirement to ~~Offer Terms~~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 ~~DQ~~ (Requirement to ~~Offer Terms~~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 ~~DQ~~ (Requirement to ~~Offer Terms~~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.

Special Condition FS: Submission of certain agreements

1. The licensee shall not make an amendment to a specified agreement or enter into any agreement which amends a specified agreement except with the prior written approval of the Authority.

2. For the purposes of this Condition:

“specified agreements” means agreements relating to the following matters, namely:

(a) the provision by Scottish Power Transmission Limited to the licensee of a share (initially 46%) of the export and import capacity of the Interconnector with England and Wales (after deduction of an allowance for the share of such capacity dedicated to the existing agreement between South of Scotland Electricity Board and British Nuclear Fuels plc relative to the transmission of output from Chapelcross Power Station); and

(b) operational provisions for the implementation of all or some of the agreements relating to the matters referred to in (a) above; provisions supporting the co-ordination, planning and operation of an electricity supply system within Scotland; an operational basis to support trading relationships between Scottish Power Generation Limited and the licensee and/or between either of them and any third party and/or between third parties using the electricity transmission systems in Scotland; and a framework for accommodating

generators of electricity using the electricity transmission system of SP Transmission Limited and the licensee.

“amendment”

in relation to any agreement shall (without limiting the generality) include the making, entering into and granting of:

- (a) any agreement which terminates, extends the duration of, varies or has the effect of affecting in any other way any right and/or obligation (or the enforceability of any right and/or obligation) of any person under the first mentioned agreement; and
- (b) any waiver or purported waiver (whether or not constituted or evidenced by any written document, and whether express, implied or otherwise) of any right of any person under that agreement.

“agreement”

includes any contract or arrangement (whether or not constituted or evidenced by any written document).

SCHEDULE A. Supplementary Provisions of the Charge Restriction Conditions

Part A: Excluded services

- 1 There may be treated as excluded services provided by the transmission business such services in respect of which charges are made:
 - (a) which fall within paragraph 6; or
 - (b) which:
 - (i) do not fall within paragraph 2; and
 - (ii) may be determined by the licensee as falling under one of the principles set out in paragraphs 3 to 5.

- 2 No service provided as part of the transmission business shall be treated as an excluded service in so far as it relates to the provision of services remunerated under use of system charges in accordance with ~~Condition D8 of Part H~~standard condition D13 (Basis of ~~Charges~~charges for ~~Use~~use of ~~System~~system and ~~Connection to System: Requirement for Transparency~~connection to system: requirement for transparency) including (without prejudice to the foregoing):
 - (i) the transport of electricity;
 - (ii) the carrying out of works for the installation of electric lines or electrical plant (not otherwise payable in the form of connection charges) for the purpose of maintaining or upgrading the licensee's transmission system;
 - (iii) the carrying out of works or the provision of maintenance or repair or other services for the purpose of enabling the licensee to comply with standard condition ~~7 (Licensee's Grid Code) and Special Condition H (Transmission System Security Standard and Quality of Service(Scotland))~~D9 (Scottish grid code) and standard condition D3 (Transmission system security standard and quality of service), the Electricity Supply Regulations 1988 or any regulations made

under Section 29 of the Act or any other enactment relating to safety or standards applicable in respect of the transmission business ; and

- (iv) the provision, installation and maintenance of any meters, switchgear or other electrical plant ancillary to the grant of use of system.

- 3 The whole or an appropriate proportion (as the case may be) of the charges of the type described in ~~Condition D8 of Part H~~standard condition D13 (Basis of ~~Charges~~charges for ~~Use~~use of ~~Systems~~system and ~~Connection to System: Requirement for Transparency~~connection to system: requirements for transparency) and borne by any person as connection charges in respect of connections made after the grant of this licence may be treated as excluded services.
- 4 There may be treated as an excluded service charges for the relocation of electric lines or electrical plant and the carrying out of works associated therewith pursuant to a statutory obligation (other than under Section 9(2) of the Act) imposed on the licensee.
- 5 There may with the approval of the Authority be treated as an excluded service any service of a type not above referred to which:
 - (a) consists in the provision of services for the specific benefit of a third party requesting the same; and
 - (b) is not made available as a normal part of the transmission business remunerated by use of system charges.
- 6 Services may be regarded as excluded services where the charges are:
 - (a) the rental for transmission business assets hosting fibre-optic telecommunications systems and used by third parties;
 - (b) made for the provision of capacity for transferring electricity across any part of any Upgrade;

- 7 Where the Authority is satisfied that, in light of the principles set out in paragraphs 3 to 6 inclusive, any service treated as being or not being an excluded service should not be so treated, the Authority shall issue directions to that effect, and such service shall cease to be treated as an excluded service with effect from the date of issue of such directions (subject to paragraph 8 of Special Condition L (Information to be provided to the Authority in connection with the charge restriction conditions)) or such other date as may be specified in the direction.
- 8 For the purpose of this Schedule "Upgrade" shall have the meaning given in Special Condition ~~B~~O (Basis of ~~Charges~~charges for ~~Use~~use of Scottish ~~Interconnection~~interconnection).