

**To: All holders of an electricity transmission licence**

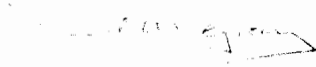
**MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY TRANSMISSION LICENCES GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989**

Whereas –

1. Each of the companies to whom this document is addressed holds an electricity transmission licence granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”) to participate in the transmission of electricity subject to the conditions contained in the electricity transmission licence.
2. In accordance with section 11A(2) & (3) of the Act the Gas and Electricity Markets Authority (“the Authority”) gave notice on 16 August 2005 (“the Notice”) that it proposed to modify standard licence condition (“SLC”) C20 (Assistance for Areas with High Distribution Costs Scheme: Restriction on Revenue) of the electricity transmission licences.
3. In accordance with section 49A of the Act, the reasons for making the licence modification are those stated in the Notice.
4. The Authority gave notice of its intention to make the licence modification to the Secretary of State and has not received a direction from the Secretary of State not to make the licence modification.
5. Prior to the close of the consultation period in respect of the Notice, the Authority received no responses or objections in relation to the licence modification.
6. Following careful consideration of the licence modification during the consultation period, one minor consequential amendment was identified to the licence modification consulted upon under the Notice.
7. The definition of ‘HBMT-1’ in paragraph 4 of SLC C20 shall be amended by removing the reference to ‘total scheme amount’ and replacing with ‘assistance for areas with high distribution costs scheme amount’. This is a consequential amendment due to changing the definition of ‘HBMT’ in paragraph 1 of SLC C20 and removing the definition of ‘total scheme amount’ in paragraph 5 of SLC C20.

Therefore in accordance with the powers contained in section 11A(1) of the Act, the Authority hereby modifies standard licence condition C20 (Assistance for Areas with High Distribution Costs Scheme: Restriction on Revenue) of the electricity transmission licences in the manner specified in the schedule to this Direction with effect on and from 27 September 2005.

**The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of**

A handwritten signature in black ink, appearing to read 'David Gray', written over a faint, illegible stamp or seal.

David Gray  
Managing Director, Networks  
Authorised on behalf of the Authority

27 September 2005

## Schedule

### DIRECTION UNDER SECTION 11A ELECTRICITY ACT

Modification of existing provisions of the transmission licence

#### Condition C20. Assistance for areas with high distribution costs scheme: restriction on revenue

1. The licensee shall ~~use its best endeavours to ensure that in each relevant year the revenue derived by the licensee from the assistance for areas with high distribution costs scheme activity shall not exceed the assistance for areas with high distribution costs scheme amount for that relevant year as calculated in accordance with the following formula:~~

**Deleted:** total scheme amount

$$HBM_t = A_t + HBOC_t - HBK_t$$

where

HBM<sub>t</sub>

represents the ~~assistance for areas with high distribution costs scheme amount in relation to the relevant year t.~~

**Deleted:** total

A<sub>t</sub>

represents the assistance amount in relation to the relevant year t.

HBOC<sub>t</sub>

represents the administration allowance in relation to the relevant year t.

HBK<sub>t</sub>

represents the correction amount in relation to the relevant year t.

2. For the purposes of paragraph 1 above, for the first relevant year of the assistance for areas with high distribution costs scheme, the assistance amount shall have the value specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 and for each subsequent relevant year the assistance amount shall be derived from the following formula:

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

where

$A_{t-1}$  represents the assistance amount in relation to the relevant year t-1.

$RPI_t$  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 May to October (both inclusive) in relation to the relevant year t-1 and that are published or determined with respect to the same months in relation to the relevant year t-2.

3. For the purposes of paragraph 1 above, for the first relevant year of the assistance for areas with high distribution costs scheme, the administration allowance shall have the value of £150,000 (one hundred and fifty thousand pounds), for the second relevant year of the assistance for areas with high distribution costs scheme, the administration allowance shall have the value of £80,000 (eighty thousand pounds) and for each subsequent relevant year, the administration allowance shall be derived from the following formula:

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

where

$HBOC_{t-1}$  represents the administration allowance in relation to the relevant year t-1.

$RPI_t$  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 May to October (both inclusive) in relation to the relevant year t-1 and that are published or determined with respect to the same months in relation to the relevant year t-2.

4. For the purposes of paragraph 1 above, for the first relevant year of the administration for areas with high distribution costs scheme, the correction amount shall have the value zero and for all subsequent relevant years shall have the value derived from the following formula:

$$HBK_t = (HBC_{t-1} - HBM_{t-1}) \left( 1 + \frac{I_t}{100} \right)$$

where

$HBC_{t-1}$

means the actual income from payments received from authorised suppliers pursuant to standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers), excluding an amount for interest on late payments, using the base interest rate in relation to the relevant year t-1.

$HBM_{t-1}$

means the assistance for areas with high distribution costs scheme amount in relation to the relevant year t-1.

**Deleted:** total scheme amount

$I_t$

represents the base interest rate in relation to the relevant year t as of the date upon which such calculation under paragraph 1 above is conducted.

5. In this condition:

“administration allowance”

means the amount of the licensee's revenue allowance for administering the assistance for areas with high distribution costs scheme with the value specified in or calculated in accordance with paragraph 3 above.

“assistance amount”

means the amount payable by the licensee to a relevant distributor in any relevant year made pursuant to standard condition C22 (Assistance for areas with high distribution costs scheme: payments to a relevant distributor) and with the value specified in or calculated in accordance with paragraph 2 above.

“assistance for areas with high distribution costs scheme”

means the scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.

“assistance for areas with high distribution costs scheme activity”

means the activity undertaken by the licensee or any affiliate or related undertaking as part of the transmission business relating to the implementation, administration and ongoing maintenance of the assistance for areas with high distribution costs scheme established pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005

“authorised supplier”	has the same meaning as in section 184 of the Energy Act 2004.
“base interest rate”	means, in respect of any day, the rate per annum which is equal to the base lending rate from time to time of Barclays Bank PLC as at the close of business on the immediately preceding business day.
“business day”	means any week day other than a Saturday on which the banks are open for domestic business in the City of London.
“correction amount”	means the amount for reconciliation of payments in respect of the assistance for areas with high distribution costs scheme with the value as specified in or calculated in accordance with paragraph 4 above.
“late payments”	means payments required to be made by authorised suppliers and not received by the licensee by the due date specified in any invoice issued by the licensee in relation to same pursuant to standard condition C21 (Assistance for areas with high distribution costs scheme: payments from authorised suppliers).
“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004 <u>where the relevant distribution system is located in the specified area.</u>
“relevant year”	means a year beginning on 1 April of each calendar year and ending on 31 March of the following calendar year.
“specified area”	means the area specified in the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005.

**Deleted:** “total scheme amount”

**Deleted:** means the maximum allowable revenue of the licensee in relation to the assistance for areas with high distribution costs scheme with the value specified in or as calculated in accordance with paragraph 1 above.