

**To: The Company Secretary  
SP Transmission Ltd  
1 Atlantic Quay  
Robertson Street  
Glasgow G2 8SP**

**MODIFICATION OF SP TRANSMISSION LTD'S ELECTRICITY TRANSMISSION LICENCE PURSUANT TO SECTION 11(1) OF THE ELECTRICITY ACT 1989**

Whereas –

1. SP Transmission Ltd (“the Licensee”), is the holder of an electricity transmission licence (“the Licence”) treated as granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”).
2. Pursuant to section 11(2) and (3) of the Act, the Gas and Electricity Markets Authority (“the Authority”) gave notice on 28 October 2005 (“the Notice”) that it proposed to modify the special conditions of the Licence by:
  - (a) amending special condition J (Restriction of Transmission Charges) by inserting a “TIRG<sub>t</sub>” term in the transmission network revenue restriction formula so as to allow the Licensee’s maximum revenue allowance to be adjusted to enable recovery of costs related to specified transmission investment for renewable generation (“TIRG”) projects;
  - (b) amending special condition J (Restriction of Transmission Charges) by inserting a definition of “TIRG<sub>t</sub>” as a consequence of the proposed modification outlined in paragraph (a) above;
  - (c) inserting a new special condition O (Adjustment to Restriction of Transmission Charges due to Transmission Investment for Renewable Generation) which sets out how the TIRG<sub>t</sub> component of the transmission network revenue restriction formula will be calculated in a relevant year;
  - (d) inserting a new schedule C (Supplementary provisions to special condition O and special condition P) which sets out the forecast costs, asset values and output measures for each specified TIRG project that will be required in order to calculate TIRG<sub>t</sub> in a relevant year;

- (e) inserting a new special condition P (Information to be provided to the Authority in connection with Transmission Investment for Renewable Generation) which sets out the supporting information provision obligations of the Licensee in relation to the TIRG revenue allowance mechanism;
  - (f) amending special condition I (Definitions) such that the definitions set out in this special condition apply to the new special conditions O and P and the new schedule C as a consequence of the proposed modifications outlined above;
  - (g) amending special condition I (Definitions) by inserting a definition of “TIRG relevant year.” as a consequence of the proposed modifications outlined above;
  - (h) amending the definition of “charge restriction conditions” in special condition I (Definitions) such that the term includes the TIRG revenue allowance as a consequence of the proposed modifications outlined above; and
  - (i) amending special condition K (Restriction of transmission charges: Adjustments), special condition L (Information to be provided to the Authority in connection with charge restriction conditions) and special condition L1 (Price control review information) such that these special conditions refer to the TIRG revenue allowance as a consequence of the proposed modifications outlined above.
3. In accordance with section 49A of the Act, the reasons for making the licence modification are those stated in the Notice.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received two responses and no objections in relation to the proposed modification of the special conditions of the Licence. No responses were withdrawn. All non-confidential responses are available from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (0207 901 7003) or from the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

5. 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 proposed licence modification.
6. On 24 November 2005 the Licensee gave its written consent to the proposed modification of the special conditions of the Licence in the manner set out in the schedule to this Direction.
7. During the consultation period, the Licensee made representations to the Authority with respect to whether the funding precondition for the England-Scotland Interconnect transmission investment project set out in paragraph 2 of the proposed special condition O has been satisfied. Following careful consideration of the Licensee's representations, the Authority carried out an analysis of the England-Scotland Interconnect transmission investment project and concluded that it was satisfied that full baseline funding for the project, as set out in paragraph 2 of the proposed special condition O, can now be justified. It is therefore no longer considered necessary to retain the funding precondition for the England-Scotland Interconnect transmission investment project in the licence modification. The licence modification consulted upon under the Notice has been amended accordingly.

Therefore in accordance with the powers contained in section 11(1) of the Act, the Authority hereby modifies the special conditions of the Licence in the manner specified in the schedule to this Direction with effect on and from 15 December 2005.

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

Robert Hull

Director – Transmission, Networks

Authorised on behalf of the Authority

15 December 2005

## SCHEDULE

### DIRECTION PURSUANT TO SECTION 11(1) OF THE ELECTRICITY ACT 1989

#### MODIFICATION OF EXISTING PROVISIONS OF THE TRANSMISSION LICENCE

- 1 Special Condition I: Definitions shall be amended by substituting “Special Conditions J to P and Schedules A to C” for “Special Conditions J to N and Schedules A and B”.
- 2 The definition of “charge restriction conditions” in Special Condition I: Definitions shall be amended by substituting “Special Conditions I to P inclusive together with Schedules A to C” for “Special Conditions I to N inclusive together with Schedules A and B”.
- 3 Special Condition I: Definitions shall be amended by inserting the following definition after the definition of “relevant year t-1”:

“TIRG relevant year<sub>t</sub>” means, in relation to each transmission investment project *i* specified in Schedule C, the relevant year in which a revenue allowance falls to be made under Special Condition O with respect to that transmission investment project *i*: t=p means the relevant year commencing on 1 April 2005; t=p to t=-1 means the preconstruction period (where  $p \leq -1$ ); t=0 means the relevant year in which construction of that transmission project *i* commences; t=0 to t=n means the construction period; t=n means the relevant year in which that transmission investment project *i* is commissioned; t=n+1 means the relevant year in year 1 post commissioning period for that transmission investment project *i* and similar expressions shall be construed accordingly.

- 4 The formula in paragraph 1 of Special Condition J: Restriction of Transmission Charges shall be amended by inserting “+TIRG<sub>t</sub>” at the end of the formula in the following manner:

$$TR_t = R_t - KK_t + LF_t + E_t + B_t + EC_t + CC_t + IAT_t + IAAC_t + TIRG_t,$$

- 5 Paragraph 1 of Special Condition J: Restriction of Transmission Charges shall be amended by inserting the following at the end of that paragraph immediately after the definition of "IAAC<sub>t</sub>":

"TIRG<sub>t</sub>," means, for each TIRG relevant year t, the aggregate of the annual revenue allowances for each transmission investment project specified in Schedule C and shall be calculated in accordance with Special Condition O.

- 6 Special Condition K: Restriction of Transmission Charges: Adjustments shall be amended by substituting "Special Conditions I to P" for "Special Conditions I to N" in each place where it occurs.

- 7 Special Condition L: Information to be provided to the Authority in connection with Charge Restriction Conditions shall be amended by substituting "Special Conditions I to P" for "Special Conditions I to N" in each place where it occurs and by substituting "Special Conditions I to P and Schedule A and Schedule B" for "Special Conditions I to N and Schedule A" in each place where it occurs.

- 8 Special Condition L1: Price control review information shall be amended by substituting "Special Conditions I to P together with Schedules A to C" for "Special Conditions I to N together with Schedule A and B" in each place where it occurs.

- 9 After Special Condition N: Duration of Charge Restriction Conditions there shall be inserted the following new conditions:

**Special Condition O: Adjustment to Restriction of Transmission Charges due to Transmission Investment for Renewable Generation**

- 1 For each TIRG relevant year t, TIRG<sub>t</sub> shall be calculated in accordance with the following formula:

$$TIRG_t = \sum_{all\ i} TIRG_t^i$$

where  $TIRG_t^i$  means the annual revenue allowance in TIRG relevant year t for each transmission investment project i specified in Schedule C.

- 2 For each TIRG relevant year t, the annual revenue allowance for each transmission investment project i specified in Schedule C shall be calculated in accordance with the following formula:

$$TIRG_t^i = IPTIRG_t^i + TIRGIncAd_t^i + FTIRG_t^i + ETIRG_t^i + ATIRG_t^i$$

where:

$IPTIRG_t^i$  means the annual preconstruction and contingency revenue allowance for the transmission investment project i for the TIRG relevant years  $t=p$  to  $t=-1$  (where  $p \leq -1$ ) and shall be calculated in accordance with paragraph 3.

$TIRGIncAd_t^i$  means the sum of one or more preconstruction and contingency revenue allowance adjustments for a TIRG income adjusting event and each revenue allowance adjustment shall be determined by the Authority in accordance with paragraph 4.

$FTIRG_t^i$  means the annual construction revenue allowance for the transmission investment project i for the TIRG relevant years  $t=0$  to  $t=n$  and shall be calculated in accordance with paragraph 5.

$ETIRG_t^i$  means the annual incentive revenue allowance for the transmission investment project i for the TIRG relevant years  $t=n+1$  to  $t=n+5$  and shall be calculated in accordance with paragraph 7.

$ATIRG_t^i$  means the actual annual revenue allowance for the transmission investment project i for the TIRG relevant years  $t=n+6$  to  $t=n+40$  and shall be determined by the Authority in accordance with paragraph 9.

- 3 For the purposes of paragraph 2, the term  $\text{IPTIRG}_t^i$  shall be calculated in accordance with the following formula:

$$\text{IPTIRG}_t^i = \text{CFTIRG}_t^i * \text{ARPI}_t$$

where:

$\text{CFTIRG}_t^i$  means the forecast preconstruction and contingency costs for the transmission investment project  $i$  for TIRG relevant years  $t=p$  to  $t=-1$  (where  $p \leq -1$ ) and shall have the value specified in Schedule C for each TIRG relevant year  $t$ , and where no value is specified in Schedule C for a TIRG relevant year  $t$  shall have the value of zero.

$\text{ARPI}_t$  means the price index adjustment, which in the relevant year commencing 1 April 2004 equals 1, and in all subsequent years is derived from the following formula:

$$\text{ARPI}_t = \left[ 1 + \frac{\text{RPI}_t}{100} \right] \times \text{ARPI}_{t-1}$$

where:

$\text{RPI}_t$  means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months from May to October (both inclusive) in relevant year  $t-1$  and that is published or determined with respect to the same months in relevant year  $t-2$ .

- 4 (a) For the purposes of this paragraph, a TIRG income adjusting event means an event or circumstance occurring in the preconstruction period that the Authority is satisfied causes costs and/or expenses

to be incurred or saved in relation to the transmission investment project  $i$ , where the Authority is satisfied that those costs and/or expenses:

- (i) have resulted in, or are expected to result in, a material increase or decrease to the forecast preconstruction and contingency costs for the transmission investment project  $i$  for TIRG relevant years  $t=p$  to  $t=-1$  (where  $p \leq -1$ ) ( $CFTIRG_t$ );
  - (ii) have been, or are expected to be, efficiently incurred or saved; and
  - (iii) can not otherwise be recovered under the TIRG revenue allowance provided under this Special Condition O.
- (b) Where the licensee considers, and can provide supporting evidence that, a TIRG income adjusting event has occurred in respect of the transmission investment project  $i$ , then the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event no longer than 3 months after the end of the TIRG relevant year  $t$  in which that event has occurred (or such later date as the Authority notifies to the licensee for the purposes of this subparagraph).
- (c) A notice provided under subparagraph (b) shall give particulars of:
- (i) the  $TIRG_t$  income adjusting event to which the notice relates and the reason(s) why the licensee considers that event to be a  $TIRG_t$  income adjusting event;
  - (ii) the costs and/or expenses that the licensee can demonstrate have been, or are expected to be, incurred or saved by that event and how the amount of those costs and/or expenses have been calculated;
  - (iii) the amount of any material increase or decrease in the forecast preconstruction and contingency costs for the transmission investment project  $i$  for TIRG relevant years  $t=p$  to  $t=-1$  (where  $p \leq -1$ ) ( $CFTIRG_t$ ) that the licensee can demonstrate have been, or are expected to be, incurred or saved by that event and how the amount of that increase or decrease has been calculated;
  - (iv) the reasons why the licensee considers that the costs and/or

expenses can not otherwise be recovered under the TIRG revenue allowance provided by this Special Condition O;

- (iv) the amount of any  $TIRGIncAd_t^i$  income adjustment allowance proposed as a consequence of that event and how this  $TIRGIncAd_t^i$  income adjustment allowance has been calculated; and
  - (v) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.
- (d) Where the Authority receives a notice under subparagraph (b), the Authority shall determine (after consultation with the licensee and such other persons it considers necessary):
- (i) whether a TIRG income adjusting event has occurred in respect of the transmission investment project  $i$ ; and
  - (ii) a  $TIRGIncAd_t^i$  income adjustment allowance in respect of the transmission investment project  $i$ .
- (e) Where the Authority determines under subparagraph (d) that a TIRG income adjusting event has occurred in respect of the transmission investment project  $i$ , the  $TIRGIncAd_t^i$  income adjustment allowance in respect of the transmission investment project  $i$  determined by the Authority under subparagraph (d) shall be such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if that TIRG income adjusting event had not occurred, and in all other cases the  $TIRGIncAd_t^i$  income adjustment allowance in respect of the transmission investment project  $i$  determined by the Authority under subparagraph (d) shall be zero.
- (f) Where the Authority makes a determination under this paragraph, the Authority shall publish a notice stating the  $TIRGIncAd_t^i$  income adjustment allowance for the transmission investment project  $i$  and the reasons for the determination.
- (g) The Authority may revoke a determination made under this paragraph with the consent of the licensee.

(h) For the purpose of paragraph 2, the term  $TIRGI_{incAd}_t^i$  shall be the  $TIRGI_{incAd}_t^i$  income adjustment allowance for the transmission investment project  $i$  determined by the Authority under subparagraph (d), and where the Authority has not made a determination under subparagraph (d) shall be zero.

(i) Where the licensee notifies the Authority of a TIRG income adjusting event under subparagraph (b), the licensee shall ensure that the costs and/or expenses that are the subject of that notification are not also notified to the Authority in relation to any other revenue recovery arrangements.

5 For the purposes of paragraph 2, the term  $FTIRG_t^i$  shall be calculated in accordance with the following formula:

$$FTIRG_t^i = CCTIRG \times (FTIRGC_t^i + AFFTIRG_t^i) \times ARPI_t$$

where:

**CCTIRG** means the pre-tax cost of capital in real terms for the transmission investment project  $i$  for each TIRG relevant year  $t$  and for the purposes of this special condition shall take the value of eight point eight per cent (8.8%).

**$FTIRGC_t^i$**  means the average asset value for the transmission investment project  $i$  for each of the TIRG relevant years  $t=0$  to  $t=n$  and shall be determined as follows:

(a) where the licensee has not been granted planning consent to build the transmission investment project  $i$ ,  $FTIRGC_t^i$  shall be zero; and

(b) where the licensee has been granted planning consent to build the transmission investment project  $i$ ,  $FTIRGC_t^i$  shall have the value specified in Schedule C for each TIRG relevant year  $t$ , and where no value is specified in Schedule C for a TIRG relevant year  $t$  shall have the value of zero.

AFFTIRG<sub>t</sub><sup>i</sup> means one or more adjustments to the average asset value for the transmission investment project i for the TIRG relevant years t=0 to t=n (FTIRGC<sub>t</sub><sup>i</sup>) as a result of a TIRG asset value adjusting event and each adjustment shall be determined by the Authority in accordance with paragraph 6.

ARPI<sub>t</sub> shall have the meaning given in paragraph 3.

6. (a) For the purpose of this paragraph, a TIRG asset value adjusting event means relevant additional preconstruction works or a relevant amendment to the scope of construction works that the Authority is satisfied is expected to cause costs and/or expenses to be incurred or saved in relation to the transmission investment project i, where the Authority is satisfied that those costs and expenses:
  - (i) are expected to result in a material increase or decrease to the average asset value for the transmission investment project i for the TIRG relevant years t=0 to t=n (FTIRGC<sub>t</sub><sup>i</sup>);
  - (ii) are expected to be efficiently incurred or saved; and
  - (iii) can not otherwise be recovered under the TIRG revenue allowance provided by this Special Condition O.
- (b) For the purposes of subparagraph (a) and Special Condition P –
  - (i) “relevant additional preconstruction works” means preconstruction works expected to be carried out by the licensee during the TIRG relevant years t=0 to t=n as a result of the terms and/or conditions of any statutory consent, approval or permission in respect of the transmission investment project i (including but not limited to planning consent); and
  - (ii) “relevant amendment to the scope of construction works” means an amendment to the scope of construction works that:
    - (a) is necessary to comply with the terms and/or conditions of any statutory consent, approval or permission in

respect of the transmission investment project i (including but not limited to planning consent); or

(b) is necessary to comply with technical, engineering or planning constraints in respect of the transmission investment project i that are identified by the licensee during preconstruction work.

(c) Where the licensee considers, and can provide supporting evidence that, a TIRG asset value adjusting event has occurred in relation to the transmission investment project i, then the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event prior to TIRG relevant year  $t=0$  (or at such later date as the Authority notifies to the licensee for the purposes of this subparagraph).

(d) A notice provided under subparagraph (c) shall be accompanied by a statement from independent technical advisors setting out the additional preconstruction works / amended scope of construction works (as appropriate) and a statement from independent auditors setting out that in their opinion the notice fairly presents the costs and expenses expected to be incurred or saved by the additional preconstruction works / amended scope of construction works (as appropriate) and shall give particulars of:

(i) the TIRG asset value adjusting event to which the notice relates and the reason(s) why the licensee considers that event to be a TIRG asset value adjusting event;

(ii) the costs and/or expenses that the licensee can demonstrate are expected to be incurred or saved by that event and how the amount of those costs and/or expenses have been calculated;

(iii) the amount of any material increase or decrease in the average asset value for the transmission investment project i for TIRG relevant years  $t=0$  to  $t=n$  ( $FTIRGC_t$ ) that the licensee can demonstrate is expected to occur as a result of that event and how the amount of that increase or decrease has been calculated;

- (iv) the reasons why the licensee considers that the costs and/or expenses can not otherwise be recovered under the TIRG revenue allowance provided by this Special Condition O;
  - (v) the amount of any  $AFFTIRG_t^i$  adjustment proposed as a consequence of that event and how this  $AFFTIRG_t^i$  adjustment has been calculated; and
  - (vi) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.
  
- (e) Where the Authority receives a notice under subparagraph (c), the Authority shall determine (after consultation with the licensee and such other persons it considers necessary):
  - (i) whether a TIRG asset value adjusting event has occurred in respect of the transmission investment project i;
  - (ii) where the Authority determines that a TIRG asset value adjusting event has occurred in respect of the transmission investment project i, whether the transmission investment project i will remain economically efficient as a consequence of that TIRG asset value adjusting event; and
  - (iii) a  $AFFTIRG_t^i$  adjustment in respect of the transmission investment project i.
  
- (f) Where the Authority determines under subparagraph (e) that a TIRG asset value adjusting event has occurred in respect of the transmission investment project i and that the transmission investment project i will remain economically efficient as a consequence of that TIRG asset value adjusting event, the  $AFFTIRG_t^i$  adjustment in respect of the transmission investment project i determined by the Authority under subparagraph (e) shall be such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if that TIRG asset value adjusting event had not occurred, and in all other cases the  $AFFTIRG_t^i$  adjustment in respect of the transmission investment project i determined by the Authority under subparagraph (e) shall be zero.

- (g) Where the Authority makes a determination under this paragraph, the Authority shall publish a notice stating the  $AFFTIRG_t^i$  adjustment for the transmission investment project  $i$  and the reasons for the determination.
- (h) The Authority may revoke a determination made under this paragraph with the consent of the licensee.
- (i) For the purpose of paragraph 5, the term  $AFFTIRG_t^i$  shall be the  $AFFTIRG_t^i$  adjustment for the transmission investment project  $i$  determined by the Authority under subparagraph (e), and where the Authority has not made a determination under subparagraph (e) shall be zero.
- (j) Where the licensee notifies the Authority of a TIRG income adjusting event under subparagraph (c), the licensee shall ensure that the costs and/or expenses that are the subject of that notification are not also notified to the Authority in relation to any other revenue recovery arrangements.

7 For the purpose of paragraph 2, the term  $ETIRG_t^i$  shall be calculated in accordance with the following formula:

$$ETIRG_t^i = (CCTIRG \times (ETIRGC_t^i \times SAFRTIRG^i) \times ARPI_t) + (Dep_t^i \times SAFRTIRG^i \times ARPI_t)$$

where:

CCTIRG shall have the meaning given in paragraph 5.

$ETIRGC_t^i$  means the average asset value for the transmission investment project  $i$  for each of the TIRG relevant years  $t=n+1$  to  $t=n+5$  and shall have the value specified in Schedule C for each TIRG relevant year  $t$ , and where no value is specified in Schedule C for a TIRG relevant year  $t$  shall have the value of zero.

SAFRTIRG<sup>i</sup> means an adjustment factor to the average asset value for the transmission investment project i for each of the TIRG relevant years t=n+1 to t=n+5 (ETIRGC<sub>t</sub>) and shall have the value of 1 unless otherwise determined by the Authority by TIRG relevant year t=n+1 in accordance with the following formula:

$$\text{SAFRTIRG}^i = [\text{SAFTIRG}^i / \text{ETIRGORAV}^i]$$

where:

SAFTIRG<sup>i</sup> means the opening asset value for the transmission investment project i determined by the Authority by TIRG relevant year t=n+1 in accordance with paragraph 8.

ETIRGORAV<sup>i</sup> means the opening regulated asset value for the transmission investment project i at TIRG relevant year t=n+1 and shall have the value specified in Schedule C.

ARPI<sub>t</sub> shall have the meaning given in paragraph 3.

Dep<sub>t</sub><sup>i</sup> means the annual depreciation allowance for TIRG relevant year t and shall have the value specified in Schedule C.

- 8 (a) The Authority shall determine (in consultation with the licensee and such other persons it considers necessary) the value of the term SAFRTIRG<sup>i</sup> with respect to the transmission investment project i by TIRG relevant year t=n+1 where the Authority has received a post construction expenditure report and a post construction technical report in respect of the transmission investment project i in accordance with Special Condition P.
- (b) Where the Authority makes a determination under this paragraph,

the Authority shall have regard to the following:

- (i) whether the final aggregate transmission investment expenditure set out in the post construction expenditure report has been efficiently incurred;
  - (ii) the extent to which the licensee has complied with the output measures specified in Schedule C for the transmission investment project *i* as set out in the post construction technical report;
  - (iii) whether an adjustment has been made to the average asset value for the transmission investment project *i* for the TIRG relevant years  $t=0$  to  $t=n$  under paragraph 6 (AFTIRG adjustment); and
  - (iv) any other information the Authority considers to be relevant to the determination.
- (c) Where the Authority makes a determination under this paragraph, the Authority shall publish a notice stating the SAFTIRG<sup>*i*</sup> opening asset value for the transmission investment project *i* and the reasons for the determination.
- (d) The Authority may revoke a determination made under this paragraph with the consent of the licensee.

- 9 For the purposes of paragraph 2, the term ATIRG<sub>*t*</sub><sup>*i*</sup> shall be determined by the Authority (in consultation with the licensee and such other persons the Authority considers necessary) by TIRG relevant year  $t=n+5$  in accordance with the principle that efficiently incurred costs shall be recoverable by the licensee.

**Special Condition P: Information to be provided to the Authority in connection with Transmission Investment for Renewable Generation**

- 1 For each transmission investment project *i* specified in Schedule C, the licensee shall provide the Authority with the following:
- (a) during or prior to TIRG relevant year  $t=0$ , a preconstruction technical report, accompanied by a statement from independent technical advisors, setting out:

- (i) the  $TIRG_{t=0}$  output measures assessed against the forecast output measures in Schedule C for the transmission investment project i; and
  - (ii) the  $TIRG_{t=n}$  forecast output measures assessed against the forecast output measures in Schedule C for the transmission investment project i;
- (b) not later than three months after the end of each of the TIRG relevant years  $t=p$  to  $t=0$  (or such later date as the Authority notifies to the licensee for the purposes of this subparagraph), a preconstruction expenditure report, accompanied by an auditor's statement, setting out an itemised report of the preconstruction expenditure incurred for the transmission investment project i during that TIRG relevant year t;
- (c) not later than three months after the end of each of the TIRG relevant years  $t=1$  to  $t=n$  (or such later date as the Authority notifies to the licensee for the purposes of this subparagraph), a construction expenditure report accompanied by an auditor's statement, setting out an itemised report of the construction expenditure incurred for the transmission investment project i during that TIRG relevant year t; and
- (d) not later than three months after the end of TIRG relevant year  $t=n$  (or such later date as the Authority notifies to the licensee for the purposes of this subparagraph):
  - (i) a post construction expenditure report, accompanied by an independent auditor's statement, setting out the final aggregate transmission investment expenditure for the transmission investment project i, assessed against the average asset value for the transmission investment project i for TIRG relevant years  $t=0$  to  $t=n$  (FTIRGC<sub>t</sub>); and
  - (ii) a post construction technical report, accompanied by a construction completion certificate from independent

technical advisors, setting out the actual capability of the transmission investment project i and the extent to which the transmission investment project i complies with the output measures specified in Schedule C.

- 2 The Authority may require the licensee to provide it with such information in such form and within such time as it may reasonably request which is, in the Authority's opinion, necessary in order to carry out any of its functions under Special Condition O.
- 3 (a) The output measures specified in Schedule C may be amended in accordance with this paragraph.
  - (b) For the purpose of this paragraph, an output measures adjusting event means a relevant amendment to the scope of the construction works (as defined in Special Condition O(6)(b)(ii)) which the Authority is satisfied is expected to cause a material change in the output measures specified in schedule C for the transmission investment project i.
  - (c) Where the licensee considers, and can provide supporting evidence that, an output measures adjusting event has occurred in relation to the transmission investment project i, then the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event prior to TIRG relevant year  $t=0$  (or at such later date as the Authority notifies to the licensee for the purposes of this subparagraph).
  - (d) A notice provided under subparagraph (b) shall be accompanied by a statement from independent technical advisors setting out the amended scope of construction works and shall give particulars of:
    - (i) the output measures adjusting event to which the notice relates and the reason(s) why the licensee considers that event to be an output measures adjusting event;
    - (ii) output measures adjustment proposed as a consequence of that event and how this output measures adjustment has been

calculated; and

- (iii) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.
  
- (e) Where the Authority receives a notice under subparagraph (c), the Authority shall determine (after consultation with the licensee and such other persons it considers necessary):
  - (i) whether a output measures adjusting event has occurred in respect of the transmission investment project i; and
  - (ii) where the Authority determines that a output measures adjusting event has occurred in respect of the transmission investment project i, an output measures adjustment in respect of the transmission investment project.
  
- (f) Where the Authority makes a determination under this paragraph, the Authority shall publish a notice stating the output measures adjustment for the transmission investment project i and the reasons for the determination.
  
- (g) The Authority may revoke a determination made under this paragraph with the consent of the licensee.

10 After SCHEDULE B: TERMS USED IN THE REVENUE RESTRICTION there shall be inserted the following new schedule:

**SCHEDULE C: SUPPLEMENTARY PROVISIONS TO SPECIAL CONDITION O  
AND SPECIAL CONDITION P**

**Beaulieu-Denny**

Pre construction, contingency and construction costs

<b>project costs (£ 000) 2004 prices</b>	<b>t=p</b>	<b>t=-1</b>	<b>t=0</b>	<b>t=1</b>	<b>t=2</b>	<b>t=n</b>
Forecast pre-construction and contingency costs (CFTIRG <sub>t</sub> )	2,900	1,600	n/a	n/a	n/a	n/a
Average asset value during construction period (FTIRGC <sub>t</sub> )	n/a	n/a	9,350	31,900	56,200	70,250

Post construction revenue

<b>Project costs (£ 000) 2004 prices</b>	<b>t=n+1</b>	<b>t=n+2</b>	<b>t=n+3</b>	<b>t=n+4</b>	<b>t=n+5</b>
Opening RAV (ETIRGORAV)	73,200	n/a	n/a	n/a	n/a
Dep <sub>t</sub> <sup>i</sup>	1,830	1,830	1,830	1,830	1,830
Average asset value during efficiency period (ETIRGC <sub>t</sub> )	72,285	70,455	68,625	66,795	64,965

### South west Scotland reinforcement

#### Pre construction, contingency and construction costs

<b>project costs</b> (£ 000) <b>2004 prices</b>	<b>t=p</b>	<b>t=-1</b>	<b>t=0</b>	<b>t=1</b>	<b>t=n</b>
Forecast pre-construction and contingency costs (CFTIRG <sub>t</sub> )	1,700	1,200	n/a	n/a	n/a
Average asset value during construction period (FTIRGC <sub>t</sub> )	n/a	n/a	100	11,600	30,050

#### Post construction revenue

<b>Project costs</b> (£ 000) 2004 prices	<b>t=n+1</b>	<b>t=n+2</b>	<b>t=n+3</b>	<b>t=n+4</b>	<b>t=n+5</b>
Opening RAV (ETIRGORAV)	37,100				
Dep <sub>t</sub> <sup>i</sup>	928	928	928	928	928
Average asset value during efficiency period (ETIRGC <sub>t</sub> )	36,636	35,709	34,781	33,854	32,926

## England-Scotland interconnection

### (east coast and west coast reinforcement combined costs)

Pre construction, contingency and construction costs

<b>project costs</b> (£ 000) <b>2004 prices</b>	<b>t=p</b>	<b>t=-1</b>	<b>t=0</b>	<b>t=1</b>	<b>t=2</b>	<b>t=n</b>
Forecast pre-construction and contingency costs (CFTIRG <sub>t</sub> )	2,400	1,200	n/a	n/a	n/a	n/a
Average asset value during construction period (FTIRGC <sub>t</sub> )	n/a	n/a	9,000	30,300	46,700	53,350

Post construction revenue

<b>Project costs</b> (£ 000) 2004 prices	<b>t=n+1</b>	<b>t=n+2</b>	<b>t=n+3</b>	<b>t=n+4</b>	<b>t=n+5</b>
Opening RAV (ETIRGORAV)	55,900	n/a	n/a	n/a	n/a
Dep <sup>i</sup> <sub>t</sub>	1,398	1,398	1,398	1,398	1,398
Average asset value during efficiency period (ETIRGC <sub>t</sub> )	55,201	53,804	52,406	51,009	49,611

## Sloy

### Pre construction, contingency and construction costs

<b>project costs</b> <b>(£ 000)</b> <b>2004 prices</b>	<b>t=p</b>	<b>t=-1</b>	<b>t=0</b>	<b>t=n</b>
Forecast pre-construction and contingency costs (CFTIRG <sub>t</sub> )	400	200	n/a	n/a
Average asset value during construction period (FTIRGC <sub>t</sub> )	n/a	n/a	4,700	11,350

### Post construction revenue

<b>Project costs</b> <b>(£ 000)</b> <b>2004 prices</b>	<b>t=n+1</b>	<b>t=n+2</b>	<b>t=n+3</b>	<b>t=n+4</b>	<b>t=n+5</b>
Opening RAV (ETIRGORAV)	13,300	n/a	n/a	n/a	n/a
Dep <sub>t</sub> <sup>i</sup>	333	333	333	333	333
Average asset value during efficiency period (ETIRGC <sub>t</sub> )	13,134	12,801	12,469	12,136	11,804

## Output measures

### Beaully-Denny

Project scope	Capability as at 31 March 2005			Forecast capability prior to construction start date			Forecast capability post construction		
	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)
Upgrade from 275 kV to 400 kV									
Denny - Fort Augustus	Circuit does not presently exist.			Circuit does not presently exist.			400	2770	2510
Denny 400/275kV SGT	Circuit does not presently exist.			Circuit does not presently exist.			400/275	1000	1000
Denny – Braco	Circuit does not presently exist.			Circuit does not presently exist.			275	1500	1500
Denny - Lambhill	Circuit does not presently exist.			Circuit does not presently exist.			275	955	760
Denny - Longannet	Circuit does not presently exist.			Circuit does not presently exist.			275	1500	1500
Windyhill - Lambhill - Longannet	275	820	650	275	820	650	275	820	650
Denny - Bonnybridge No.1	Circuit does not presently exist.			Circuit does not presently exist.			275	955	760
Denny - Bonnybridge No.2	Circuit does not presently exist.			Circuit does not presently exist.			275	955	760
Denny 275/132kV SGT	Circuit does not presently exist.			Circuit does not presently exist.			275/132	240	240
Denny - Bonnybridge	Circuit does not presently exist.			Circuit does not presently exist.			132	240	240
Windyhill – Neilston	275	955	760	275	955	760	275	955	760
Longannet - Easterhouse	275	953	953	275	953	953	275	1500	1500
Longannet - Clyde's Mill	275	953	953	275	953	953	275	1500	1500
Easterhouse - Clyde's Mill	275	953	953	275	953	953	275	1500	1500

**South west Scotland**

Project scope	Capability as at 31 March 2005			Forecast capability prior to construction start date			Forecast capability post construction		
	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)
Area connection infrastructure									
New Cumnock - Kilmarnock South	Circuit does not presently exist.			Circuit does not presently exist.			275	955	760
New Cumnock - Coylton	Circuit does not presently exist.			Circuit does not presently exist.			275	955	760
New Cumnock 275/132 'SGT1'	Circuit does not presently exist.			Circuit does not presently exist.			275/132	240	240
New Cumnock 275/132 'SGT2'	Circuit does not presently exist.			Circuit does not presently exist.			275/132	240	240
Tongland Quad. Booster	132	90	90	132	90	90	132	190	190

## East coast Interconnection

Project scope	Capability as at 31 March 2005			Forecast capability prior to construction start date			Forecast capability post construction		
	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)
Line upgrade									
Eccles - Stella West No.1	400	1390	1110	400	1390	1110	400	2770	2420
Eccles - Stella West No.2	400	1190	1110	400	1190	1110	400	2770	2420
Gretna - Hawick	132	132	106	132	132	106	132	132	106
Gretna - Junction V - Hawick	Circuit does not presently exist.			Circuit does not presently exist.			132	132	106
Hawick - Galashiels	132	132	106	132	132	106	132	132	106

## West coast Interconnection

Project scope	Capability as at 31 March 2005			Forecast capability prior to construction start date			Forecast capability post construction		
	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)
Line upgrade									
Strathaven - Coalburn	Circuit does not presently exist.			Circuit does not presently exist.			400	2010	1750
Coalburn - Elvanfoot	Circuit does not presently exist.			Circuit does not presently exist.			400	2010	1750
Elvanfoot - Harker	Circuit does not presently exist.			Circuit does not presently exist.			400	2010	1750
Strathaven - Gretna	Circuit does not presently exist.			Circuit does not presently exist.			400	2010	1750
Gretna - Harker	Circuit does not presently exist.			Circuit does not presently exist.			400	2010	1750
Coalburn 400/132 'SGT1'	Circuit does not presently exist.			Circuit does not presently exist.			400/132	240	240
Coalburn 400/132 'SGT2'	Circuit does not presently exist.			Circuit does not presently exist.			400/132	240	240
Elvanfoot 400/25 'SGT1'	Circuit does not presently exist.			Circuit does not presently exist.			400/25	30	30
Elvanfoot 400/25 'SGT2'	Circuit does not presently exist.			Circuit does not presently exist.			400/25	30	30
Gretna 400/132 'SGT1'	Circuit does not presently exist.			Circuit does not presently exist.			400/132	360	360
Gretna 400/132 'SGT2'	Circuit does not presently exist.			Circuit does not presently exist.			400/132	360	360

Sloy

Project scope	Capability as at 31 March 2005			Forecast capability prior to construction start date			Forecast capability post construction		
	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)	Circuit voltage (kV)	Winter rating (MVA)	Summer rating (MVA)
Line reinforcements									
Inverarnan - Dalmally No.1	Circuit does not presently exist.			Circuit does not presently exist.			275	760	620
Inverarnan - Dalmally No.2	Circuit does not presently exist.			Circuit does not presently exist.			275	760	620
Inverarnan - Windyhill No.1	Circuit does not presently exist.			Circuit does not presently exist.			275	760	620
Inverarnan - Windyhill No.2	Circuit does not presently exist.			Circuit does not presently exist.			275	760	620