

## NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11(2) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify the special conditions of the transmission licence ("the licence") treated as granted to National Grid Electricity Transmission plc ("the licensee") under section 6(1)(b) of the Act by modifying paragraph 1 of special condition AA5F (Adjustment to Transmission Network Revenue Restriction due to Transmission Network Reliability Incentive Scheme).
2. The purpose of this proposed modification is to ensure the continued operation of the Transmission Network Reliability Incentive Scheme following the extension of National Grid Electricity Transmission's Revenue Restriction as implemented by modification of the licence on 1 April 2006, as directed by the Authority on 31 March 2006.
3. The modification of National Grid Electricity Transmission's Revenue Restriction requires a consequential amendment to the Transmission Network Reliability Incentive Scheme to define the term  $P_{t-1}$  which is used in determining the revenue exposed to the incentive. This term is presently undefined following the changes that took effect on 1 April 2006. As a consequence, the Authority is proposing a modification to paragraph 1 of special condition AA5F (Adjustment to Transmission Network Revenue Restriction due to Transmission Network Reliability Incentive Scheme) to define the term  $P_{t-1}$ .
4. The proposed licence modifications are set out Appendix 1 of this notice.
5. Any representations or objections to the propose licence modifications may be made on or before 3 October 2006 and sent to:

Robert Hull  
Director - Transmission  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE

or by e-mail to [robert.hull@ofgem.gov.uk](mailto:robert.hull@ofgem.gov.uk)



Robert Hull  
Director - Transmission  
Authorised on behalf of the Authority

5 September 2006

## APPENDIX 1

### NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

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

In paragraph 1 of special condition AA5F (Revenue Restriction Conditions: Definitions) the following definition shall be inserted before the definition of the term "RAF<sub>y</sub>":

"P<sub>t-1</sub> means the amount calculated using the following formula:

$$P_{t-1} = P_{t-2} \left[ 1 + \frac{RPI_{t-1} - X_g}{100} \right]$$

where:

RPI<sub>t-1</sub> means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index published or determined with respect to each of the six months from May to October (both inclusive) in relevant year t-2 and that are published or determined with respect to the same months in relevant year t-3.

X<sub>g</sub> has the value one and a half (1.5).

P<sub>t-2</sub> shall in the relevant year commencing 1 April 2006 take the value £806.1 million."