

NOTICE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989

Transmission Licence

The Gas and Electricity Markets Authority ("the Authority") hereby gives notice pursuant to section 11(2) & (3) of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify the conditions of the transmission licence granted or treated as granted, under section 6(1)(b) of the Act to National Grid Electricity Transmission plc as detailed in Part A, Part B, Part C and Part D below:

Part A

By omitting, deleting and removing:

- (i) Special condition C (Pooling and Settlement Agreement run-off) and substituting the words "not used" ;
- (ii) Special condition I (Restriction on use of information deriving from the EnMo business) and substituting the words "not used";
- (iii) Special condition J (NETA implementation) and substituting the words "not used" ;
- (iv) Special condition L (Change co-ordination for the Utilities Act 2000) and substituting the words "not used";
- (v) Special condition AA5A (Revised Restrictions on Revenue) - Part 1, paragraphs 1,2,3 and 4 and substituting the words "not used";
- (vi) Special condition AA5B (Adjustments to Initial Transmission Network Revenue Formula) and substituting the words "not used";
- (vii) Special condition AA5C (Information to be Provided to the Authority in Connection with the Transmission Network Revenue Restriction) - paragraphs 1,2,3,4,5 and 6 and substituting the words "not used";
- (viii) Special condition AA5D (Allowances in Respect of Security Costs) and substituting the words "not used";
- (ix) Special condition AA5F (Adjustment to Transmission Network Revenue Restriction due to Transmission Network Reliability Incentive Scheme) and substituting the words "not used";

- (x) Special condition AA5G (Adjustment to Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation) and substituting the words "not used" ;
- (xi) Special condition AA5H (Information to be Provided to the Authority in connection with Transmission Investment for Renewable Generation) and substituting the words "not used";
- (xii) SCHEDULE A to special condition AA5:SUPPLEMENTARY PROVISIONS OF THE CHARGE RESTRICTION CONDITIONS PART A Excluded services and substituting the words "not used"; and
- (xiii) SCHEDULE B to special condition AA5: SUPPLEMENTARY PROVISIONS TO SPECIAL CONDITION AA5G AND AA5H and substituting the words "not used".

Part B

By adding and including the following special conditions to be as set out in Annex 1 to this notice:

- (i) Special condition D1 (Transmission Network Revenue Restriction: Definitions);
- (ii) Special condition D2 (Restriction on Transmission Network Revenue);
- (iii) Special condition D3 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation) and Annex A to Special condition D3 (Supplementary Provisions);
- (iv) Special condition D4 (Pass Through Items);
- (v) Special condition D5 (Incentive Payments);
- (vi) Special condition D6 (Adjustments to Transmission Network Revenue);
- (vii) Special condition D7 (Allowance in Respect of Security Costs);
- (viii) Special condition D8 (Duration of the Transmission Network Revenue Restriction);
- (ix) Special condition D9 (Capital Expenditure Incentive and Safety Net), Annex A to Special condition D9: Definition of zones and Annex B to Special condition D9:Parameters; and
- (x) Special condition D10 (Excluded Services).

Part C

By amending special condition H to be as set out in Annex 2 to this notice.

Part D

By making any necessary incidental or consequential modifications to any special condition, standard condition or amended standard condition for the accurate and correct numbering and referencing of any such condition.

2. The reasons why the Authority proposes to make these Licence Modifications and their effect are set out in the following documents published by the Authority:
 - (i) "Transmission Price Control: Draft Licence Modifications", published 15 November 2006;
 - (ii) "Transmission Price Control Final Proposals", published 4 December 2006;
 - (iii) "Transmission Price Control: Draft Licence Condition (Electricity) Second Informal Consultation", published 19 January 2007; and
 - (iv) Open Letter dated 1 March 2007 from Robert Hull headed "Transmission Price Control Review: Statutory consultation on licence modifications".
3. In summary, the purpose and effect of these licence modifications is to implement those changes to the regulatory framework consulted on as part of, or in conjunction with, the Electricity Transmission Price Control Review; in particular, those changes required to remove and terminate the existing transmission price controls and introduce and give effect to the revised price controls set out in the Authority's Final Proposals published on 4 December 2006.
4. Copies of the proposed licence modifications, together with the other documents referred to in paragraph 2 of this notice, are available (free of charge) from the Ofgem Library (telephone: 020 7901 7003) or on the Ofgem website (www.ofgem.gov.uk).
5. Any representations or objections to the proposed modifications must be made in writing on or before **29 March 2007** to Colin Green at the Office of Gas and Electricity Markets (Ofgem), 9 Millbank, London SW1P 3GE, or via e-mail to colin.green@ofgem.gov.uk

A handwritten signature in black ink, appearing to read 'R Hull', written in a cursive style.

Robert Hull

Director, Transmission

Authorised on behalf of the Authority