

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 Scottish Hydro-Electric Transmission Limited as detailed in Part A, Part B, Part C and Part D below:

Part A

By omitting, deleting and removing:

- (i) Special condition H (Change co-ordination for the Utilities Act 2000);
- (ii) Special condition I (Definitions);
- (iii) Special condition J (Restriction of transmission charges);
- (iv) Special condition J1 (Provision of information to the system operator);
- (v) Special condition J2 (Basis of transmission owner charges);
- (vi) Special condition J3 (Capital contribution repayment adjustment);
- (vii) Special condition K (Restriction of transmission charges: adjustments);
- (viii) Special condition L (Information to be Provided to the Authority in Connection with the charge restriction condition);
- (ix) Special condition L1 (Price Control Review Information);
- (x) Special condition M (Allowances in Respect of Security Costs);
- (xi) Special condition N (Duration of charge restriction conditions);
- (xii) Special condition O (Adjustment to Restriction of Transmission Charges due to Transmission Investment for Renewable Generation);
- (xiii) Special condition P (Information to be provided to the Authority in connection with Transmission Investment for Renewable Generation);
- (xiv) Special condition Q (Adjustment to Restriction of Transmission Charges due to Transmission Network Reliability Incentive); and
- (xv) Schedule B (Terms used in the revenue restriction).

Part B

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

- (i) Special condition F (Amended standard conditions)
- (ii) Schedule A (Supplementary Provisions of the Charge Restriction Conditions)
- (iii) Schedule C (SUPPLEMENTARY PROVISIONS TO SPECIAL CONDITION O AND SPECIAL CONDITION P) which shall be renamed Schedule C: SUPPLEMENTARY PROVISIONS TO SPECIAL CONDITION J3 (Restriction of transmission charges: Transmission Investment for Renewable Generation).

Part C

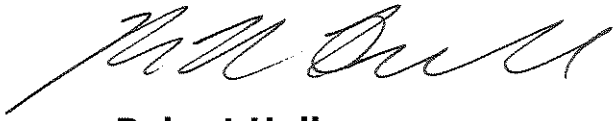
By adding and including the following special conditions to be as set out in Annex 2 to this notice:

- (i) Special condition J1 (Restriction of transmission charges: Definitions);
- (ii) Special condition J2 (Restriction of transmission charges: revenue from transmission owner services)
- (iii) Special condition J3 (Restriction of transmission revenue: Transmission investment for Renewable Generation);
- (iv) Special condition J4 (Restriction of transmission charges: Allowed pass-through items);
- (v) Special condition J5 (Restriction of transmission charges: Total incentive revenue adjustment);
- (vi) Special condition J6 (Restriction of transmission charges: adjustments);
- (vii) Special condition J7 (Capital Expenditure Incentive and Safety Net);
- (viii) Special condition J8 (Provision of Information to the System Operator);
- (ix) Special condition J9 (Duration of Charge Restriction Provisions);
- (x) Special condition J10 (Basis of transmission owner charges); and
- (xi) Special condition J11 (Allowances in respect of security costs).

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 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