

**NOTICE OF MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989**

1. National Grid Electricity Transmission plc ("the Licensee") holds an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act").
2. In accordance with section 11(2) and (3) of the Act, the Gas and Electricity Markets Authority ("the Authority") hereby gives notice that it proposes to modify the special conditions of the licence in accordance with the schedule to this notice.
3. The reason why the Authority proposes to make this modification is to ensure that the Licensee's SO internal operating costs are subject to the same sharing factors as the external cost incentive.
4. The purpose and effect of the proposed licence modification is to amend the formula for the term IncPayInt<sub>t</sub> Special Condition AA5A Part 2(ii) paragraph 15B (Determination of incentive payments on internal operating costs) of the licence in the manner specified in the schedule to this notice
5. Subject to the outcome of this statutory consultation, consideration of respondents' views and the consent of NGET being given, it is the intention of the Authority that this proposed licence modification shall have effect on and from 00:00 hours on 1 April 2007.
6. Copies of the proposed licence modification are available (free of charge) from the Ofgem library (0207 901 7003) or on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk))
7. Any representations or objections to the proposed licence modification must be made in writing before **30 June 2007** and sent to Haren Thillainathan, Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE or via email to [haren.thillainathan@ofgem.gov.uk](mailto:haren.thillainathan@ofgem.gov.uk)



**Robert Hull**

**Duly authorised on behalf of the Gas and Electricity Markets Authority  
31 May 2007**

## SCHEDULE

### PROPOSED MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989

In Special Condition AA5A Part 2(ii) paragraph 15B (Determination of incentive payments on internal operating costs)

replace

$$\text{IncPayInt} = \left( (1 - \text{ISE}_t) \left( \left( \left[ 1 + \left( \frac{\text{IRPI}_t}{100} \right) \right] \text{IMOT}_t \right) - \text{CSOOC}_t \right) \right) + \left[ \sum_M (1 - \text{CSE}_{M_t}) (\text{CP}_{M_t} - \text{OS}_{M_t}) \right]$$

with

$$\text{IncPayInt} = \left( \text{ISE}_t \left( \left( \left[ 1 + \left( \frac{\text{IRPI}_t}{100} \right) \right] \text{IMOT}_t \right) - \text{CSOOC}_t \right) \right) + \left[ \sum_M (1 - \text{CSE}_{M_t}) (\text{CP}_{M_t} - \text{OS}_{M_t}) \right]$$