

To:

1. The Company Secretary
National Grid Electricity Transmission Plc
Company number: 02366977
1-3 Strand
London
WC2N 5EH
2. The Company Secretary
SP Transmission Limited
Company number: SC189126
1 Atlantic Quay
Robertson Street
Glasgow
G2 8SP
3. The Company Secretary
Scottish Hydro Electric Transmission Limited
Company number: SC213461
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

ELECTRICITY ACT 1989

SECTION 11A MODIFICATION OF STANDARD CONDITIONS

MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY TRANSMISSION LICENCES TREATED AS GRANTED UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989

NOTICE OF REASONS FOR THE DECISION TO MODIFY THE STANDARD CONDITIONS OF ELECTRICITY TRANSMISSION LICENCES UNDER SECTION 49A OF THE ELECTRICITY ACT 1989

WHEREAS:

1. Each of the companies to whom this Modification is addressed holds an electricity transmission licence (the "Licence") treated as granted under section 6(1)(b) of the Electricity Act 1989 (the "Act").
2. In accordance with section 11A(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority") gave notice on 26 November 2007 (the "Notice") that it proposed to modify standard condition C13 (Adjustments to use of system charges (small generators)) ("SLC C13") of the Licence by deleting paragraph 5 in the manner set out in the Schedule to this Modification.

3. Prior to the close of the consultation period in respect of the Notice, the Authority received two responses (the "Responses") in relation to the proposed licence modification. The Responses were not withdrawn and have been carefully considered by the Authority.
4. No notice of objection to the proposed licence modification was given to the Authority within the time specified in the Notice by a relevant licence holder.
7. The Authority sent the Notice to the Secretary of State and has not received a direction from the Secretary of State not to make the proposed licence modification.
8. The reasons for making the proposed licence modification are set out in the open consultation letter issued by Ofgem on 16 October 2007 entitled "Consultation on the discount for small transmission connected generators from 1 April 2008" (the "Consultation letter") and a further open letter issued by Ofgem on 26 November 2007 entitled "Conclusions in respect of the consultation on the discount for small generators from 1 April 2008 (SLC) C13 (Adjustments to use of system charges (small generators)) and Notice under Section 11A of the Electricity Act 1989" (the "Open letter").
9. Copies of the Consultation letter, Open letter and the Responses are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE (020 7901 7003) or from the Ofgem website (www.ofgem.gov.uk).
10. Therefore in accordance with the powers contained in section 11A of the Act, the Authority hereby modifies SLC C13 of the Licence in accordance with the Schedule to this Modification with effect on and from 24 January 2008.
11. This Modification also constitutes notice of reasons for the decision to modify SLC C13 of the Licence under section 49A of the Act.

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

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

Robert Hull
Director, Transmission Networks
Authorised on behalf of the Authority

24 January 2008

SCHEDULE

MODIFICATION OF THE STANDARD CONDITIONS OF ELECTRICITY TRANSMISSION LICENCES UNDER SECTION 11A OF THE ELECTRICITY ACT 1989

Condition C13. Adjustments to use of system charges (small generators)

1. When calculating use of system charges (other than charges relating to the provision of balancing services) to eligible generators the licensee shall set a charge in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) less a designated sum.
2. When calculating use of system charges (other than charges relating to the provision of balancing services) to customers who are taking demand from the GB transmission system the licensee shall set charges in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) plus a unit amount (to be added to all such charges on a non-discriminatory and non-locational basis) such that the net effect of this condition on total sums recovered by the licensee during the period in which this condition is in effect is zero. The licensee shall ensure that the net sums recovered in any given year are as far as practicable zero.
3. The licensee shall publish sufficient information in a timely manner such that all parties whose use of system charges are or may be adjusted in accordance with this condition are able to make a reasonable estimate of how use of system charges have been affected by the provision contained within this condition. To the extent that net sums recovered in any given year might not be equal to zero, the licensee shall also publish sufficient information to enable affected parties to make a reasonable estimate of how any over or under-recovery in the current year made pursuant to this condition will affect adjustments to charges in the following year.

4. The Authority shall be entitled to issue a direction pursuant to this condition at any time stating that, with effect from 1 April immediately following the issuing by the Authority of such a direction, the designated sum shall be equal to zero.

~~5. In the absence of a direction being issued by the Authority pursuant to paragraph 4 above, the designated sum shall be set equal to zero from 1 April 2008 until 31 May 2009.~~

~~5.6.~~ This condition shall cease to have effect on 31 May 2009.

~~6.7.~~ For the purposes of this condition:

“eligible generator” means a generating station which:

- (a) is liable for generation transmission network use of system charges (or its equivalent) under the use of system charging methodology approved by the Authority in accordance with standard condition C4 (Charges for use of system); and
- (b) is connected to the GB transmission system at a voltage of 132 kilovolts; and
- (c) would not, on the basis of its maximum generating capacity, be liable for generation transmission network use of system charges (or its equivalent) if it were connected to the distribution system of a licensed distributor rather than to the GB transmission system.

“designated sum” means such sum as shall be directed by the Authority as soon as

practicable after the determination of an approved use of system charging methodology in accordance with standard condition C4 (Charges for use of system).