

To the Company Secretary of:

Scottish Hydro Electric Power Distribution Plc

Company Number SC213460

INVERALMOND HOUSE

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**MODIFICATION PURSUANT TO SECTION 11 OF THE ELECTRICITY ACT 1989 OF
CERTAIN ELECTRICITY DISTRIBUTION LICENCES GRANTED OR TREATED AS
GRANTED UNDER SECTION 6(1)(C) OF THE ELECTRICITY ACT 1989, AND**

**NOTICE PURSUANT TO SECTION 49A OF THE ELECTRICITY ACT 1989 OF THE
REASONS FOR THE DECISION OF THE GAS AND ELECTRICITY MARKETS
AUTHORITY TO MODIFY THE ELECTRICITY DISTRIBUTION LICENCES**

WHEREAS

1. In accordance with section 11(2) of the Electricity Act 1989 (the "Act"), the Gas and Electricity Markets Authority (the "Authority") gave notice on 29 April 2008 on the Ofgem website (www.ofgem.gov.uk) (the "Notice")¹ that it proposed to modify the electricity distribution licence treated as granted under section 6(c) of the Act (the "Licence") to Scottish Hydro Electric Distribution Plc (company number SC213460) (the "Licensee").
2. The Notice proposed to insert special condition J into the Licence to ensure that the provisions contained in standard licence conditions 53A, 53B and 53C of the Licence will continue to have effect when the Distribution Licence Review takes effect.
3. In accordance with section 11(4) of the Act, the Authority gave notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.
4. The Licensee has given its consent to the modification of its Licence in the manner as set out in the attached Schedule.
5. In accordance with section 49A of the Act, the reasons for the decision of the Authority to make the licence modification changes are contained in the Notice.

NOW THEREFORE

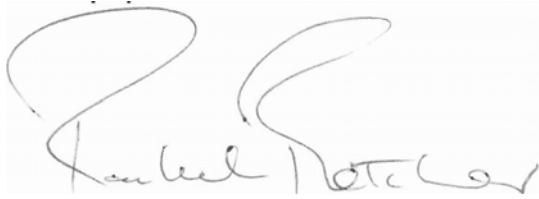
In accordance with its powers under section 11 of the Act the Authority hereby modifies the Licence treated as granted to the Licensee under section 6(1)(c) of the Act in the manner contained in the attached Schedule with effect on and from 1 June 2008.

This document also constitutes the notice of reasons under section 49A of the Act for the Authority's decision to modify the Licence.

Dated the 30th day of May 2008

¹ <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=96&refer=Licensing/Work/Notices/ModNotice>

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 "Rachel Fletcher". The signature is written in a cursive style with large, sweeping loops.

Rachel Fletcher

Director, Distribution

Authorised on behalf of the Gas and Electricity Markets Authority

Schedule 1

Special Condition J. Assistance for high-cost distribution areas

This condition

- 1 This condition sets out the obligations of the licensee, if it is a relevant distributor in the specified area, in relation to any annual payments received by it from the system operator for the purpose of providing assistance with the high costs of distributing electricity incurred by the licensee in that area.
- 2 The payments to which paragraph 1 refers are payments made pursuant to the Energy Act 2004 (Assistance for Areas with High Distribution Costs) Order 2005 (“the Assistance Order”) and in accordance with standard condition C22 of the system operator’s transmission licence.

Application of payments

- 3 The licensee must apply the benefit of any annual payment received by it under paragraph 1 so as to reduce its use of system charges to specified suppliers in a manner that does not unduly discriminate between them and does not show undue preference to any affiliate or related undertaking of the licensee.
- 4 In particular, the licensee must allocate the benefit of any such payment so as to ensure that the level of the benefit received by a specified supplier is directly proportionate to the expected level of demand attributable to the requirements of those (and only those) of that supplier’s customers who will be located in the specified area in the forthcoming year of demand.
- 5 When deciding the level of benefit to be allocated to a specified supplier under paragraph 4, the licensee must apply the same or equivalent factors that it applies when considering the level of the benefit to be allocated to any affiliate or related undertaking of the licensee.

Provision of Information

- 6 The licensee must give the Authority any information that the Authority reasonably requires for the purpose of establishing whether the licensee is or has been in compliance with its obligations under this condition.

Interpretation

- 7 In this condition:

“relevant distributor”	has the same meaning as in section 184 of the Energy Act 2004.
“specified area”	means the area described as such in the Assistance Order.
“specified supplier”	means an electricity supplier who takes electricity from the GB transmission system and supplies it to customers in the specified area.