

Offshore Electricity Transmission - A further Joint Ofgem/DECC Regulatory Policy Update

Document type: Annex

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Annex 1 - Transmission Licence

Overview:

Ofgem and DECC are working together to implement a regulatory regime for offshore electricity transmission networks. The consultation document consults on the licence and industry code changes that will be required to facilitate the implementation of the proposed offshore transmission regime.

This annex is the second consultation on the proposed changes for the standard conditions of the transmission licence.

Introduction

This annex sets out further change proposals for the transmission licence that have been developed by Ofgem for the implementation of the proposed offshore transmission regime.

We welcome views on all aspects of the transmission licence change proposals in this annex.

Transmission Licence change proposals

These change proposals have been developed in light of responses to our June 2008 Policy Update, discussions with the Offshore Transmission Standard Conditions working group, further development of offshore transmission policy and consideration of practicalities of implementation.

This annex includes:

- A summary of the key differences from our initial approach published in June 2008, and
- The proposed amendments to the relevant document, marked up on a defined baseline version of that relevant document.

We previously proposed that a new section of the transmission licence should be introduced for offshore transmission owner obligations (Section E). We also proposed changes to existing sections of the transmission licence that we considered were appropriate for implementation of the offshore transmission regime.

Change proposals have been developed for the following parts of the transmission licence. We do not consider that changes were required to other parts of the transmission licence to implement the proposed offshore transmission regime.

| Condition | Overview of changes made |
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| Section A | |
| Condition A1 | Changes proposed to definitions to reflect changes proposed to extend the transmission licence offshore. |
| Condition A5 | Proposed new condition (based on standard condition A3), to recognise that Section B of the transmission licence may not be applicable to all types of transmission licensee. |
| Condition A6 | Proposed new condition (based on standard condition A3), to recognise that the proposed Section E of the transmission licence may not be applicable to all types of transmission licensee. |
| Section B | |
| Condition B4 | Proposed addition of a reference to the Energy Act 2008 (subject to the progress of the current Energy Bill), in paragraph 1(a) |

| Condition | Overview of changes made |
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| Condition B11 | Proposed change to extend security arrangements offshore. |
| Condition B12 | Changes proposed to extend existing obligations in respect of the System Operator - Transmission Owner Code offshore. |
| Condition B17 | Changes proposed to extend the Network Output Measures requirement to include all transmission systems (including offshore transmission systems). |
| Condition B18 | Proposed new condition to define obligations to take on role of OFTO of last resort in specific circumstances. |
| Section C | |
| Condition C1 | Changes proposed to definitions to reflect changes proposed to extend other section C conditions offshore. |
| Condition C2 | Change proposed to define a prohibition on NGET (or any NGET subsidiary company) seeking to hold an OFTO licence. |
| Condition C8 | Changes proposed to extend the requirement for the GBSO to offer terms to offshore generators. |
| Condition C9 | Changes proposed to extend the role of the Authority to reflect that there may be STC parties that do not hold a transmission licence. |
| Condition C15 | Change proposed to introduce an obligation to comply with the DCUSA. |
| Condition C17 | Change will be needed to this condition to reflect a change to the GBSQSS version number that is consequential to the proposed extension of the GBSQSS offshore. |
| Condition C25 | New condition proposed to define obligations in respect of the information that Ofgem may require to assist with the tender process. |
| Section D | |
| Condition D3 | Change will be needed to this condition to reflect a change to the GBSQSS version number that is consequential to the proposed extension of the GBSQSS offshore. |
| Condition D4A | Change needed to reflect that there may be STC parties that do not hold a transmission licence. |
| Section E | |
| Other than E1, Section E is constructed from existing licence conditions (based on existing conditions in Sections B and D of the Transmission Licence). | |
| Condition E1 | Proposed new condition reflects current standard condition D1 (ie that condition will not be used initially). |
| Condition E2 | Proposed new condition reflects current standard condition B1. |
| Condition E3 | Proposed new condition reflects current standard condition B2. |
| Condition E4 | Proposed new condition based on standard condition B3. |
| Condition E5 | Proposed new condition reflects current and proposed changes to standard condition B4. |
| Condition E6 | Proposed new condition reflects current standard condition B5. |
| Condition E7 | Proposed new condition reflects current standard condition B6. |
| Condition E8 | Proposed new condition reflects current standard condition B7. |
| Condition E9 | Proposed new condition reflects current standard condition B8. |
| Condition E10 | Proposed new condition based on standard condition B9. |
| Condition E11 | Proposed new condition based on standard condition B10. |

| Condition | Overview of changes made |
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| Condition E12 | Proposed new condition reflects relevant section of current standard condition B11. |
| Condition E13 | Proposed new condition to require compliance with the System Operator - Transmission Owner Code. |
| Condition E14 | Proposed new condition that will not be used initially. |
| Condition E15 | Proposed new condition reflects current standard condition D2. |
| Condition E16 | Proposed new condition reflects current standard condition D3. Change will be needed to this condition to reflect a change to the GBSQSS version number that is consequential to the proposed extension of the GBSQSS offshore. |
| Condition E17 | Proposed new condition based on standard condition D4A. |
| Condition E18 | Proposed new condition based on standard condition D4B. |
| Condition E19 | Proposed new condition based on standard condition D5. |
| Condition E20 | Proposed new condition reflects current standard condition D6. |
| Condition E21 | Proposed new condition to define obligations to take on role of OFTO of last resort in specific circumstances. |

Please contact us at offshoretransmission@ofgem.gov.uk if you would like us to send you a word version of any section of this transmission licence change proposal. Please head your email 'Transmission Licence- word version' and clearly state which parts of the transmission licence you would like us to provide.

Changes made under normal governance

The changes to the standard conditions of the transmission licence relating to the Authority's direction issued on 1 October 2008¹ have been reflected in the baseline text presented in this Annex 1.

Key differences from our initial approach published in June 2008

We do not consider that the previously proposed change to existing transmission licence standard conditions A3, B15, B16 and C7 are appropriate for the implementation of the offshore transmission regime. We have therefore withdrawn the previously proposed changes to these standard conditions.

We also do not consider that the previous proposal to introduce an additional standard condition C8A is appropriate. We now consider that NGET's current obligation in C8 can be extended offshore without the need for an additional standard condition. The proposed changes to standard condition C8 have been

¹ Authority direction in respect of Modification of Licences and Codes to reflect the abolition of the Gas and Electricity Consumer Council (energywatch) and its replacement with the National Consumer Council.

developed on this basis and the previous proposal to introduce additional standard condition C8A has been withdrawn.

We note that it may be possible or necessary in the future to define a standard condition in respect of price control reporting required from an OFTO. However, we consider that it would be more appropriate at this stage to define reporting obligations on a project specific basis, within the special conditions of each transmission licence. We therefore propose that standard condition E14 should be introduced as part of the implementation of the proposed offshore transmission regime as a "Not Used" condition.

We consider that it would be appropriate to establish a separate standard condition that defines NGET's obligations to assist Ofgem in respect of the proposed offshore tender process. Drafting has been included as part of this consultation for the proposed standard condition C25. The previous proposal to introduce an additional standard condition C8B has been withdrawn.

Section A

- The definitions in condition A1 have been amended to include references to proposed standard conditions in Section E, reflect changes proposed throughout the transmission licence and to minimise change to existing conditions in Section B.

Section B

- The drafting in condition B11 has been amended to extend existing security arrangements offshore to align with the extension of SoS powers under the Electricity Act.
- The drafting of condition B12 has been amended to reflect the proposal for OFTOs to become an STC party before a transmission licence has been granted and the proposal to extend the STC offshore.
- New condition B18 has been proposed to define obligations to take on the role of OFTO of last resort in specific circumstances. The proposed obligation has been substantially based on standard condition 8 of the electricity supply licence.

Section C

- The definitions in condition C1 have been amended to reflect changes proposed in Section C.
- The drafting in condition C2 has been amended to introduce a prohibition on the licensee (or a subsidiary of the licensee) from seeking to hold an OFTO licence.
- Changes have been proposed in condition C8 to extend the existing obligation to offer terms to an application seeking connection or modification to and/or use of the GB transmission system offshore. These changes replace our previous proposal to introduce a new condition C8A.
- Changes proposed to condition C9 to extend the role of the Authority to reflect changes proposed to condition C8 and the proposal for OFTOs to become an STC party before a transmission licence has been granted.
- Changes proposed to condition C15 to introduce an obligation to comply with DCUSA.
- Changes proposed to condition C17 to flag a necessary amendment to reflect the proposed GBSQSS revision as part of the proposed offshore transmission regime.

- New condition proposed in respect of the information and assistance that the Authority may require from the licensee for the offshore tender process.

Section D

- Changes proposed to condition D3 to flag a necessary amendment to reflect the proposed GBSQSS revision as part of the proposed offshore transmission regime.
- The drafting in condition D4A has been amended reflect the proposal for OFTOs to become an STC party before a transmission licence has been granted.

Section E

- The drafting in condition E1 has been amended to align with drafting of condition D1 (ie to clarify that the condition will not be used initially).
- Changes have been proposed to condition E3 to reflect changes to the baseline of condition D2 (reference updated to National Consumer Council).
- Changes have been proposed to condition E8 to improve consistency between the treatment of onshore and offshore transmission licensees that have an investment grade credit rating.
- Changes have been proposed to condition E11 to explicitly allow the Authority to specify conditions as part of a consent granted to an OFTO.
- Changes have been proposed to the nature of the OFTO's obligation in condition E13. The previous proposal has been replaced with the less onerous obligation to comply with the System Operator - Transmission Owner Code.
- Changes proposed to condition E16 to flag a necessary amendment to reflect the proposed GBSQSS revision as part of the proposed offshore transmission regime.
- The drafting in condition E17 has been based on condition D4A. The proposed obligation has been amended to allow an OFTO to refuse to offer terms in respect of an application if the works would require an additional investment of 20% or more of the cost of the original investment in the offshore transmission system.
- The drafting in condition E18 is based on existing condition D4B.
- New condition E21 has been proposed to define obligations to take on the role of OFTO of last resort in specific circumstances. The proposed obligation has been substantially based on standard condition 8 of the electricity supply licence.

Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

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| the "Act" | means the Electricity Act 1989. |
| "affected transmission licensee" | for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "affiliate" | in relation to the licensee means any holding company or subsidiary of the licensee or any subsidiary of a holding company of the licensee, in each case within the meaning of sections 736, 736A, and 736B of the Companies Act 1985. |
| "ancillary services" | for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "applicable balancing services" | for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition. |
| "applicable balancing services volume data" | for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition. |
| "applicable balancing services volume data methodology" | for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition. |
| "applicable BSC objective(s)" | for the purposes of standard condition C3 (Balancing and Settlement Code (BSC)) only, has the meaning given in that condition. |
| "applicable CUSC objectives" | for the purposes of standard condition C10 (Connection and Use of System Code (CUSC)) only, has the meaning given in that condition. |
| "applicable STC objectives" | for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning |

given in that condition.

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| "Application Regulations" | for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "associated TO agreement" | for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "associated TO offer" | for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "auditors" | means the licensee's auditors for the time being holding office in accordance with the requirements of the Companies Act 1985. |
| "authorised" | in relation to any business or activity means authorised by licence granted or treated as granted under section 6 or exemption granted under section 5 of the Act. |
| "authorised electricity operator" | means any person (other than the licensee in its capacity as operator of the licensee's transmission system or the GB transmission system) who is authorised to generate, participate in the transmission of, distribute, or supply electricity or participate in the operation of an interconnector and for the purposes of standard conditions C7 (Prohibition on discriminating between users) to C9 (Functions of the Authority) inclusive shall include any person who has made an application to be so authorised which application has not been refused and any person transferring electricity to or from the GB transmission system across any interconnector (or who has made an application for use of an interconnector which has not been refused). |
| the "Authority" | means the Gas and Electricity Markets Authority established under section 1 of the Utilities Act 2000. |
| "balancing mechanism" | for the purposes of Section C only, has the meaning given |

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| | in standard condition C1 (Interpretation of Section C). |
| "balancing services" | for the purposes of section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "balancing services activity" | has the meaning given in standard condition C1 (Interpretation of Section C). |
| "balancing services adjustment data methodology" | for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition. |
| "BETTA" | means the British electricity trading and transmission arrangements which are provided for in Chapter 1 of Part 3 of the Energy Act 2004. |
| "BETTA go-live date" | means the date which the Secretary of State indicates in a direction shall be the BETTA go-live date. |
| "bilateral agreement" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "bilateral connection agreement" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "bilateral embedded generation agreement" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "BSC" | has the meaning given in standard condition C1 (Interpretation of Section C). |
| "BSC Framework Agreement" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "BSC party" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "Codes" | means any or all of the CUSC, BSC, Grid Code, STC and any Scottish grid code as the context requires. |

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| "connection charges" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "connection charging methodology" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "consolidated transmission business" | for the purposes of standard conditions B1 (Regulatory Accounts), B15 (Price Control Review Information) and B16 (Price Control Revenue Reporting and Associated Information) only, means the consolidation, for regulatory accounting purposes, of the business referred to in the definition of the "transmission business". |
| "construction agreement" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "core industry documents" | means those documents which: (a) in the Secretary of State's opinion are central industry documents associated with the activities of the licensee and authorised electricity operators, the subject matter of which relates to or is connected with the BSC or the balancing and settlement arrangements and (b) have been so designated by the Secretary of State. |
| "cross-default obligation" | means a term of any agreement or arrangement (not including any arrangements between transmission licensees under the STC Framework Agreement) whereby the licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated or is capable of arising, increasing or of acceleration by reason of a default (howsoever such default may be described or defined) by any person other than the licensee unless: (i) that liability can arise only as the result of a default by a subsidiary of the licensee, |

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- (ii) the licensee holds a majority of the voting rights in that subsidiary and has the right to appoint or remove a majority of its board of directors, and
- (iii) that subsidiary carries on business only for a purpose within paragraph (a) of the definition of permitted purpose.

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| "customer" | means any person supplied or requiring to be supplied with electricity at any premises in Great Britain but shall not include any authorised electricity operator in his capacity as such. |
| "CUSC" | has the meaning given in standard condition C1 (Interpretation of Section C). |
| "CUSC Framework Agreement" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "CUSC party" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "CUSC user" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "designated sum" | for the purposes of standard condition C13 (Adjustments to use of system charges (small generators), has the meaning given in that condition. |
| "Director General of Electricity Supply" | for the purposes of standard condition A4 (Payments to the Authority) only, has the meaning given in that condition. |
| "disposal" | for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only, has the meaning given in that each of those conditions . |
| "Distribution Code" | means any distribution code required to be prepared by a licensed distributor pursuant to standard condition 9 (Distribution Code) of a distribution licence and approved |

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by the Authority and revised from time to time with the approval of the Authority.

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| "distribution licence" | means a distribution licence granted or treated as granted under section 6(1)(c) of the Act. |
| "distribution system" | means the system consisting (wholly or mainly) of electric lines owned or operated by an authorised distributor and used for the distribution of electricity from grid supply points or generation sets or other entry points to the points of delivery to customers or authorised electricity operators or any transmission licensee within Great Britain in its capacity as operator of the licensee's transmission system or the GB transmission system and includes any electrical plant, meters and metering equipment owned or operated by such distributor in connection with the distribution of electricity, but shall not include any part of the GB transmission system. |
| "effective time" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "electricity licensee" | means the holder of a licence granted under the Act. |
| "eligible generator" | for the purposes of standard condition C13 (Adjustments to use of system charges (small generators)), has the meaning given in that condition. |
| "estimated costs" | for the purposes of standard condition A4 (Payments to the Authority) only, has the meaning given in that condition. |
| "financial year" | means subject to standard condition B2 and E3 (Change of financial year) (where applicable) a period of 12 months beginning on 1 st April of each year and ending on 31 st March of the following calendar year. |
| "Fuel Security Code" | means the document of that title designated as such by the Secretary of State as from time to time amended. |

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| "GB transmission system" | means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone and used for the transmission of electricity from one generating station to a sub-station or to another generating station or between sub-stations or to or from any interconnector and includes any electrical plant or meters owned or operated by any transmission licensee within Great Britain, in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone in connection with the transmission of electricity. |
| "generation set" | means any plant or apparatus for the production of electricity and shall where appropriate include a generating station comprising more than one generating set. |
| "Grid Code" | means the grid code required to be drawn up by the system operator pursuant to standard condition C14 (Grid Code), as from time to time revised with the approval of the Authority. |
| "grid supply point" | means any point at which electricity is delivered from the GB transmission system to any distribution system. |
| "holding company" | means a holding company within the meaning of sections 736, 736A and 736B of the Companies Act 1985. |
| "imbalance price" | for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition. |
| "incremental investment threshold" | means for each offshore transmission owner's licensee's transmission system, 20 per cent of the original investment cost incurred by the offshore transmission owner. |
| "indebtedness" | means all liabilities now or hereafter due, owing or incurred, whether actual or contingent, whether solely or |

jointly with any other person and whether as principal or surety, together with any interest accruing thereon and all costs, charges, penalties and expenses incurred in connection therewith.

"information"

includes any documents, accounts, estimates, returns, records or reports and data in written, verbal or electronic form and information in any form or medium whatsoever (whether or not prepared specifically at the request of the Authority) of any description specified by the Authority.

“interconnection”

means the 275kV and 400kV circuits between and including the associated switchgear at Harker sub-station in Cumbria and the associated switchgear at Strathaven sub-station in Lanarkshire;

the 275kV transmission circuit between and including the associated switchgear at Cockenzie in East Lothian and the associated switchgear at Stella in Tyne and Wear; and

the 400kV transmission circuit between and including the associated switchgear at Torness in East Lothian and the associated switchgear at Stella in Tyne and Wear

all as existing at the date on which the transmission licence of each existing Scottish licensee comes into force as from time to time maintained, repaired or renewed, together with any alteration, modification or addition (other than maintenance, repair or renewal) which is primarily designed to effect a permanent increase in one or more particular interconnection capacities as they exist immediately prior to such alteration, modification or addition and as from time to time maintained, repaired or renewed; and

the 132kV transmission circuit between and including (and directly connecting) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in

Cumbria; and

the 132kV transmission circuit between and including (and connecting, via Junction V) the associated switchgear at Chapelcross and the associated switchgear at Harker sub-station in Cumbria

all as existing at the date on which the transmission licence of each existing Scottish licensee comes into force and as from time to time maintained, repaired or renewed.

"interconnector(s)"

has the meaning given in standard condition C1 (Interpretation of Section C).

"investment grade"

means in relation to any issuer credit rating

(a) unless sub-paragraph (b) below applies:

- (i) an issuer rating of not less than BBB- by Standard & Poor's Ratings Group or any of its subsidiaries;
- (ii) an issuer rating of not less than Baa3 by Moody's Investors Service Inc. or any of its subsidiaries;
- (iii) an issuer default rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries; or
- (iv) a rating which, in the opinion of the Authority, notified in writing to the licensee, is equivalent to those referred to in sub-paragraphs (i), (ii) and (iii) and issued by:
 - (aa) any of the credit rating agencies referred to in sub-paragraphs (i), (ii) or (iii) or
 - (bb) any other reputable credit rating agency

which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America.

- (b) such higher rating as may be specified by those agencies from time to time as the lowest investment grade credit rating.

“issuer credit rating”

means

- (a) an issuer rating by Standard & Poor’s Ratings Group or any of its subsidiaries;
- (b) an issuer rating by Moody’s Investors Service Inc. or any of its subsidiaries;
- (c) an issuer default rating by Fitch Ratings Ltd or any of its subsidiaries; or
- (d) a rating which, in the opinion of the Authority, notified in writing to the licensee, is equivalent to those referred to in sub-paragraphs (a), (b) or (c) and issued by:
 - (i) any of the credit rating agencies as referred to in sub-paragraphs (a), (b) or (c); or
 - (ii) any other reputable credit rating agency which, in the opinion of the Authority, notified in writing to the licensee, has comparable standing in both the United Kingdom and the United States of America.

"licensed distributor"

means any holder of a distribution licence.

"licensee's transmission

means those parts of the GB transmission system which are owned or operated by a transmission licensee within its

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| system" | transmission area. |
| "National Consumer Council" | Means the body of that name established by part 1, section 1 of the Consumers, Estate Agents and Redress Act 2007 |
| <u>"offshore transmission owner"</u> | <u>means the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section E (offshore transmission owner standard conditions) Direction and where Section E remains in effect (whether or not subject to any terms included in a Section E (offshore transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).</u> |
| "participating interest" | has the meaning given by section 260 of the Companies Act 1985 as amended by section 22 of the Companies Act 1989. |
| "party entry processes" | for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition. |
| "permitted purpose" | means the purpose of any or all of the following: <ul style="list-style-type: none">(a) the transmission business, or any business or activity within the limits of paragraph 4 of standard condition B6 <u>or E7</u> (Restriction on activity and financial ringfencing);(b) any business or activity to which the Authority has given its consent in writing in accordance with paragraph 3(d) of standard condition B6 <u>or E7</u> (Restriction on activity and financial ringfencing);(c) without prejudice to the generality of subparagraphs (a) and (b), any payment or transaction lawfully made or undertaken by the licensee for a purpose within subparagraphs (i) to (vii) of standard condition B9 <u>or</u> |

[E10](#), 1(b) (Indebtedness).

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| "Pooling and Settlement Agreement" | means the agreement of that title approved by the Secretary of State as from time to time amended. |
| "regulatory accounts" | means for the purposes of standard conditions B1 or E2 (Regulatory Accounts), B6 or E7 (Restriction on Activity and Financial Ring Fencing), B7 or E8 (Availability of Resources) and B15 (Price Control Review Information) only, the accounts required to be prepared by the licensee pursuant to standard condition B1 or E2 (Regulatory Accounts). |
| "related undertaking" | in relation to the licensee means any undertaking in which the licensee has a participating interest. |
| "relevant agreement" | for the purposes of standard condition C9 (Functions of the Authority) only, has the meaning given in that condition. |
| "relevant assets" | for the purposes of standard condition B3 and E4 (Disposal of relevant assets) only has the meaning given in that condition. |
| "relevant balancing services" | for the purposes of standard condition C16 (Procurement and use of balancing services) only, has the meaning given in that condition. |
| "Relevant Consumers' Committees" | for the purposes of standard condition A4 (Payments to the Authority) only, has the meaning given in that condition. |
| "relevant proportion" | for the purposes of standard condition A4 (Payments by to the Authority) only, has the meaning given in that condition. |
| "relevant year" | for the purposes of standard conditions A4 (Payments to the Authority), B15 (Price Control Review Information) and B16 (Price Control Revenue Reporting and Associated Information) only, has the meaning given in standard |

condition A4 (Payments to the Authority).

"relinquishment of operational control"

for the purposes of standard condition B3 [and E4](#) (Disposal of relevant assets) only, has the meaning given in ~~that each~~ [of those](#) conditions.

"Retail Price Index"

means the general index of retail prices published by the Office for National Statistics each month in respect of all items or:

- (a) if the index for any month in any year shall not have been published on or before the last day of the third month after such month, such index for such month or months as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances; or
- (b) if there is a material change in the basis of the index, such other index as the Authority may after consultation with the licensee and for the purposes of this condition generally determine to be appropriate in the circumstances.

“Scottish grid code”

means a grid code which a Scottish licensee is obliged to maintain pursuant to standard condition D9 (Licensee's grid code) of that Scottish licensee's transmission licence and references in standard condition D3 (Transmission system security standard and quality of service), standard condition D9 (Licensee's grid code), standard condition D10 (Supplementary grid code condition) and standard condition D13C (Functions of the Authority) to the “licensee's grid code” shall be construed accordingly.

“Scottish licensee”

means the holder of a transmission licence at the date that this condition takes effect in the licensee's transmission licence but shall not include the system operator.

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| "Secretary of State's costs" | for the purposes of standard condition A4 (Payments to the Authority) has the meaning given in that condition. |
| "Section B (General) Direction" | means a direction issued by the Authority in accordance with standard condition A5 (Application of Section B). |
| "Section C (system operator standard conditions) Direction" | means a direction issued by the Authority or the Secretary of State, where appropriate, in accordance with standard condition A2 (Application of Section C). |
| "Section D (transmission owner standard conditions) Direction" | means a direction issued by the Authority in accordance with standard condition A3 (Application of Section D). |
| "Section E (offshore transmission owner of last resort) Direction" | means a direction issued by the Authority in accordance with standard condition B18 or E21 (Offshore Transmission Owner of Last Resort). |
| "Section E (offshore transmission owner standard conditions) Direction" | means a direction issued by the Authority in accordance with standard condition A6 (Application of Section E). |
| "statutory accounts" | means the accounts to be prepared by the licensee under the Companies Act 1985. |
| "STC" | means the document required to be in place pursuant to standard condition B12 (System Operator – Transmission Owner Code) as from time to time amended in accordance with that condition. |
| "STC Framework Agreement" | means the agreement of that title, in the form approved by the Secretary of State, by which the STC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State. |
| "STC party" | means any person who is a party to the STC Framework Agreement. |
| "STC party's transmission" | means those parts of the GB transmission system planned, |

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| system | owned or operated by an STC party. |
| "STC procedures" | for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition. |
| "subsidiary" | means a subsidiary within the meanings of sections 736, 736A, 736B of the Companies Act 1985. |
| "system operator" | means the holder for the time being of a transmission licence in relation to which licence the Authority or the Secretary of State, where appropriate, has issued a Section C (system operator standard conditions) Direction and where Section C remains in effect (whether or not subject to any terms included in a Section C (system operator standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject). |
| "TO offer" | means an offer made by a transmission licensee STC party to enter into an agreement with the system operator: (a) pursuant to standard condition D4A (Obligations in relation to offers for connection etc) or standard condition D15 (Obligations relating to the preparation of TO offers during the transition period); or (b) pursuant to standard conditions E17 (Obligations in relation to offers for connection etc); or (c) pursuant to the STC. |
| "total system" | for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C). |
| "transition modification" | for the purposes of each of standard condition B12 (System Operator – Transmission Owner Code), standard condition |

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| provisions" | C3 (Balancing and Settlement Code (BSC)), standard condition C10 (Connection and Use of System Code (CUSC)) and standard condition C14 (Grid Code), has the meaning given in that condition. |
| "transition period" | means the period commencing on the date on which this condition takes effect in the licensee's transmission licence and ending on the BETTA go-live date. |
| "transmission area" | means the area specified in special condition AA of the licensee's transmission licence. |
| "transmission business" | <p>means the authorised business of the licensee or any affiliate or related undertaking in the planning or development or construction or operation or maintenance of the licensee's transmission system or the GB transmission system or the provision of transmission services (whether or not pursuant to directions of the Secretary of State made under section 34 or 35 of the Act) or the co-ordination and direction of the flow of electricity onto and over the GB transmission system including the balancing services activity, and any business in providing connections to the GB transmission system, but shall not include:</p> <ul style="list-style-type: none">(i) any business of the licensee or any affiliate or related undertaking in the provision of settlement services in connection with the BSC or the Pooling and Settlement Agreement; or(ii) any other business of the licensee or any affiliate or related undertaking in the provision of services to or on behalf of any one or more persons. |
| "transmission licence" | means a licence granted or treated as granted under section 6(1) (b) of the Act. |
| "transmission licensee" | means the holder for the time being of a transmission |

licence.

"transmission network services" for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).

"transmission owner" means the holder for the time being of a transmission licence in relation to which licence the Authority has issued a Section D (transmission owner standard conditions) Direction and where Section D remains in effect (whether or not subject to any terms included in a Section D (transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).

"transmission services" means those services which are provided or are to be provided to the system operator by another transmission licensee pursuant to standard condition D2 [or E15](#) (Obligation to provide transmission services).

"ultimate controller" means

- (a) a holding company of the licensee which is not itself a subsidiary of another company; and
- (b) any person who (whether alone or with a person or persons connected with him) is in a position to control, or to exercise significant influence over, the policy of the licensee or any holding company of the licensee by virtue of:
 - (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary; or
 - (ii) rights of ownership (including rights attached to or deriving from securities or rights under a trust) which are held by him or for which he is a beneficiary but excluding any director or employee of a corporate body in his capacity

as such

- (c) for the purposes of sub-paragraph (b) a person is connected with another person if they are party to any arrangement regarding the exercise of any such rights as are described in that paragraph; and
- (d) for the purposes of sub-paragraph (b), rights under contractual arrangements shall not include any rights in or arising under the STC Framework Agreement which are exercisable by a transmission licensee over the activities of, or as against, another transmission licensee.

"undertaking" bears the meaning ascribed to that expression by section 259 of the Companies Act 1985.

"use of interconnector" means use of any interconnector for the conveyance of electricity (whether in both directions or in only one).

"use of system" means use of the GB transmission system for the transport of electricity by any authorised electricity operator.

"use of system charges" for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).

"use of system charging methodology" for the purposes of Section C only, has the meaning given in standard condition C1 (Interpretation of Section C).

2. Any word or expressions used in the Utilities Act 2000, Part I of the Act or the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning when used in the standard conditions.
3. Except where the context otherwise requires, any reference to a numbered standard condition (with or without a letter) or Schedule is a reference to the standard condition (with or without a letter) or Schedule bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the standard condition or Schedule in which the reference occurs, and reference to a Section is a reference to that Section in these standard conditions.

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4. These standard conditions shall have effect as if, in relation to a licence holder who is a natural person, for the words "it", "its" and "which" there were substituted the words "he", "him" "his", and "whom", and cognate expressions shall be construed accordingly.
5. Except where the context otherwise requires, a reference in a standard condition to a paragraph is a reference to a paragraph of that standard condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.
6. Any reference in these conditions to
 - (a) a provision thereof;
 - (b) a provision of the standard conditions of electricity generation licences;
 - (c) a provision of the standard conditions of electricity distribution licences;
 - (d) a provision of the standard conditions of electricity supply licences; and
 - (e) a provision of the standard conditions of electricity interconnector licences,shall, if these standard conditions or the standard conditions in question come to be modified, be construed so far as the context permits, as a reference to the corresponding provision of these standard conditions or the other standard conditions in question as modified.
7. In construing the standard conditions, the heading or title of any standard condition or paragraph shall be disregarded.
8. Any reference in a standard condition to the purposes of that condition generally is a reference to the purposes of that condition as incorporated in this licence and as incorporated in each other licence under section 6(1)(b) of the Act (whenever granted) which incorporates it.
9. Where any obligation under, in or pursuant to the licence is required to be performed by a specified date or within a specified period, and where the licensee has failed so to perform by such date or within such period, such obligation shall continue to be binding and enforceable after the specified date or after the expiry of the specified period (but without prejudice to all rights and remedies available against the licensee by reason of the licensee's failure to perform by that date or within that period).

10. Anything required by or under these standard conditions to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case -
 - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid first class post as soon as is reasonably practicable, and
 - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a refutable presumption that what was received duly represented the original instrument.

11. The definitions referred to in this condition may include some definitions which are not used or not used exclusively in Sections A and B (which Sections are incorporated in all transmission licences). Where:
 - (a) any definition is not used in Sections A and B, that definition shall, for the purposes of this licence, be treated:
 - (i) as part of the standard condition or conditions (and the Section) in which it is used;
 - (ii) as not having effect in the licence until such time as the standard condition in which the definition is used has effect within the licence in pursuance of standard condition A2 (Application of Section C), or standard condition A3 (Application of Section D);
 - (b) any definition which is used in Sections A and B and is also used in one or more other Sections:
 - (i) shall only be modifiable in accordance with the modification process applicable to each of the standard conditions in which it is used; and
 - (ii) if any such standard condition is modified so as to omit that definition, then the reference to that definition in this condition shall automatically cease to have effect.

Condition A5: Application of Section B

1. The standard conditions in Section B (in whole or, as the case may be, in part) shall have effect in this licence; and the licensee shall be obliged to comply with the requirements of Section B (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.
2. The Authority may issue a direction (a "Section B (General) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section B (in whole or, as the case may be, in part) shall cease to have effect within this licence from the date specified in the direction; and the licensee shall not be obliged to comply with the requirements of Section B (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
3. The Authority may, with the consent of the licensee:
 - (a) vary the terms (as set out in the Section B (General) Direction or elsewhere) under which Section B (or parts thereof) shall have effect in this licence; or
 - (b) provide for Section B (or parts thereof) to have effect in this licence.
4. The variation or cessation and reactivation provided for in paragraph 3 shall take effect from the date specified in the notice given to the licensee by the Authority for this purpose.
5. With effect from the date of cessation and reactivation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition A6: Application of Section E

1. The standard conditions in Section E (in whole or, as the case may be, in part) shall not have effect in this licence; and the licensee shall not be obliged to comply with the requirements of Section E (in whole or, as the case may be, in part) of this licence until the Authority has issued to the licensee a direction in accordance with paragraph 2.
2. The Authority may issue a direction (a "Section E (offshore transmission owner standard conditions) Direction"). Where the Authority has issued such a direction to the licensee, the standard conditions in Section E (in whole or, as the case may be, in part) shall have effect within this licence from the date specified in the direction; and the licensee shall be obliged to comply with the requirements of Section E (in whole or, as the case may be, in part) to the extent and subject to the terms specified in such direction.
3. The Authority may, with the consent of the licensee:
 - (a) vary the terms (as set out in the Section E (offshore transmission owner standard conditions) Direction or elsewhere) under which Section E (or parts thereof) have effect in this licence; or
 - (b) provide for Section E (or parts thereof) to cease to have effect in this licence.
4. The variation or cessation and reactivation provided for in paragraph 3 shall take effect from the date specified in the notice given to the licensee by the Authority for this purpose.
5. With effect from the date of cessation and reactivation referred to in paragraph 4, paragraphs 2 to 4 of this condition shall be suspended and shall cease to have effect in this licence, but the Authority may at any time thereafter give to the licensee a notice ending the suspension and providing for those paragraphs again to have effect in this licence with effect from the date specified in the notice.

Condition B4: Provision of information to the Authority

1. Subject to paragraphs 5 and 7, the licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:
 - (a) the functions conferred on the Authority by or under the Act, ~~and~~ the Energy Act 2004, [and \[the Energy Act 2008\]](#); and
 - (b) any functions transferred to or conferred on it by or under the Utilities Act 2000.
2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that the ultimate controller ("the information covenantor") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and the licensee's subsidiaries) will give to the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.
3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.
4. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
 - (a) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or

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- (b) there is an unremedied breach of such undertaking; or
 - (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.
5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 47 of the Act.
 6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as the transmission licensee) which the Authority proposes to publish pursuant to section 48 of the Act.
 7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
 8. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Condition B11: Security arrangements

1. The licensee shall

(a) in respect of its participation in transmission in England and Wales comply with the provisions of the Fuel Security Code and such provisions shall have effect as if they were set out in this licence; ~~and~~

(b) in respect of its participation in transmission in Scotland and if so directed in directions issued by the Authority for the purposes of this condition, not later than such date as may be specified in such directions, enter into an agreement designated by the Secretary of State for the purposes of this condition relating to compliance with directions issued by the Secretary of State under section 34 and/or section 35 of the Act; ~~and~~

~~(b)(c)~~ in respect of its participation in transmission offshore and if so directed in directions issued by the Authority for the purposes of this condition, not later than such date as may be specified in such directions, enter into an agreement designated by the Secretary of State for the purposes of this condition relating to compliance with directions issued by the Secretary of State under section 34 and/or section 35 of the Act

2. The licensee shall comply with and perform its obligations under any agreement which it enters into pursuant to paragraph 1(b) or 1(c) above.

Condition B12: System Operator – Transmission Owner Code

1. The licensee shall, in common with those other transmission licensees to which this condition applies, at all times have in force a STC, being a document which:
 - (a) sets out terms as between ~~transmission licensees~~ STC parties whereby the GB transmission system and each ~~licensee's STC party's~~ transmission system forming part thereof is to be planned, developed or operated and transmission services are to be provided together with any associated arrangements;
 - (b) is designed to facilitate achievement of the objectives set out in paragraph 3;
 - (c) includes the amendment procedures required by paragraph 6; and
 - (d) provides for mechanisms for the resolution of any disputes arising in relation to any of the matters addressed in the STC.

The licensee shall be taken to comply with this paragraph by:

- (i) adopting (through entry into the STC Framework Agreement), as the STC in force with effect from the date this condition comes into effect, the document designated by the Secretary of State for the purposes of this condition; and
 - (ii) amending such document from time to time in accordance with the transition modification provisions and the provisions of paragraphs 6 and 7 below.
2. For the purposes of this condition, the terms and arrangements referred to in paragraph 1(a) whereby the GB transmission system and each ~~licensee's STC party's~~ transmission system forming part thereof are to be planned, developed or operated and transmission services are to be provided are those which:
 - (a) are requisite for the enjoyment and discharge of the rights and obligations of transmission licensees and STC parties arising under ~~their any relevant~~ licences ~~and such other codes~~ or other document as may be specified from time to time by the Authority including, but not limited to, rights and obligations which may arise under each of the core industry documents, the BSC and the CUSC; and
 - (b) provide for matters which include:

- the provision of transmission services,
- the operation, including the configuration, of the GB transmission system,
- the co-ordination of the planning of ~~licensees'~~STC parties' transmission systems,
- the progression of matters necessary to respond to applications for new connections (or modifications of existing connections),
- planning for, and co-ordination of, transmission outages,
- procedures for developing, agreeing and implementing party entry processes,
- the resolution of disputes,
- the exchange of information between ~~transmission licensees~~STC parties, which information they are free to disclose and relates to the discharge of their duties under the Act, transmission licences and other relevant statutory obligations,
- procedures to enable the system operator to produce information about the GB transmission system in accordance with standard condition C11 (Production of information about the GB transmission system), and
- procedures established in pursuance of paragraph 6.

Nothing in this condition shall preclude the licensee entering into other terms and arrangements connected with these terms and arrangements, outside of the STC, where such other arrangements are not inconsistent or in conflict with this licence or the STC or other relevant statutory requirements.

3. The objectives of the STC referred to in sub-paragraph 1(b) are the:

- (a) efficient discharge of the obligations imposed upon transmission licensees by transmission licences and the Act;
- (b) development, maintenance and operation of an efficient, economical and co-ordinated system of electricity transmission;
- (c) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the distribution of electricity;

- (d) protection of the security and quality of supply and safe operation of the GB transmission system insofar as it relates to interactions between transmission licensees; and
 - (e) promotion of good industry practice and efficiency in the implementation and administration of the arrangements described in the STC.
4. The STC shall provide for:
- (a) there to be referred to the Authority for determination such matters arising under the STC as may be specified in the STC; and
 - (b) a copy of the STC or any part(s) thereof (which excludes any confidential information contained in the STC, as provided in that document) to be provided to any person requesting the same upon payment of an amount not exceeding the reasonable costs of making and providing such copy.
5. The provisions of paragraphs 1, 2, 4 and 10 shall not limit the matters which may be provided for in the STC.
6. The STC shall include procedures for its own amendment (including procedures for the amendment of the amendment procedures themselves), so as better to facilitate achievement of the applicable STC objectives, which procedures shall provide:
- (a) for proposals for amendment of the STC to be made by any of the STC parties or such other persons or bodies as the STC may provide;
 - (b) where such a proposal is made:
 - (i) for bringing the proposal to the attention of the STC parties and such other persons as may properly be considered to have an appropriate interest in it;
 - (ii) for proper consideration of any representations on the proposal itself or on the likely effect of the proposal on the core industry documents;
 - (iii) for the preparation by ~~each transmission licensee~~ the STC Committee of an assessment of the likely impact of the proposal on ~~that licensee~~ each STC party's transmission system and its other systems, provided that, so far as any such assessment requires information which is not generally available concerning ~~that licensee or that licensee~~ any STC party or STC party's transmission system, such assessment shall be made on the basis of ~~that licensee~~ the STC Committee's proper

assessment (which that ~~licensee~~ STC Committee shall make available for these purposes) of the impact of the proposal on ~~that licensee~~ each STC party's transmission system;

- (iv) for properly evaluating whether the proposed amendment would better facilitate achieving the applicable STC objectives, provided that so far as any such evaluation by the ~~licensee~~ STC Committee requires information which is not generally available concerning another ~~any STC party or STC party's licensee or another licensee's~~ any STC party or STC party's licensee or another licensee's transmission system or the GB transmission system, such evaluation shall be made on the basis of the ~~licensee's~~ STC Committee's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed amendment on the matters referred to in paragraph 3;
- (v) for development of any alternative amendment which may, as compared with the proposed amendment, better facilitate achieving the applicable STC objectives;
- (vi) for the preparation of a report by on behalf of the STC parties which includes the following:
- the proposed amendment and any alternative;
 - an evaluation of the proposed amendment and any alternative;
 - an assessment of the extent to which the proposed amendment or any alternative would better facilitate achieving the applicable STC objectives;
 - to the extent practicable, an assessment of the likely impact on each ~~transmission licensee~~ STC party's transmission system and any other systems of that ~~licensee~~ STC party and, ~~to the extent practicable, on other licensees' transmission systems and any other systems of each other transmission licensee~~ and an assessment of the likely impact on the GB transmission system, of the proposed amendment;
 - an assessment of the impact of the amendment on the core industry documents and the changes expected to be required to such documents as a consequence of the amendment;
 - to the extent practicable, the inclusion in the report of a recommendation or recommendations being the combined views of the STC parties concerning

the amendment and any alternative and, where a combined view is not practicable, setting out the views of each STC party;

- a timetable for implementation of the amendment and any alternative, including the date with effect from which such amendment (if made) is to take effect; and
 - (vii) for the submission of the report to the Authority as soon after the proposal is made as is appropriate (taking into account the complexity, importance and urgency of the amendment) for the proper execution and completion of the steps in sub-paragraphs (i) to (vi);
 - (c) for the timetable (referred to in sub-paragraph (b)(vi)) for implementation of any amendment to be such as will enable the amendment to take effect as soon as practicable after the Authority has directed such amendment to be made, account being taken of the complexity, importance and urgency of the amendment, and for that timetable to be extended with the consent of or as required by the Authority after those persons likely to be affected by the revision of the timetable have been consulted; and
 - (d) for separate processes for the amendment of STC procedures and the schedule listing the STC procedures in force from time to time and which otherwise forms a part of the STC to those for the amendment of other parts of the STC set out in sub-paragraphs (a) to (c) above and paragraph 7.
7. (a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vii), and the Authority is of the opinion that an amendment set out in such report would, as compared with the then existing provisions of the STC and any alternative amendments set out in such report, better facilitate achieving the applicable STC objectives, the Authority may direct the system operator to make that amendment on behalf of the STC parties and the system operator shall provide a copy of the direction to all other STC parties.
- (b) The system operator, on behalf of the STC parties, shall only amend the STC:
- (i) in order to comply with any direction of the Authority pursuant to sub-paragraph (a);
or
 - (ii) with the consent of the Authority,

and it shall not have the power to amend the STC in any other circumstance; and the system operator shall furnish the Authority with a copy of any amendment made.

- (c) Only the system operator shall have the power to amend the STC.
 - (d) The system operator shall ensure that a copy of any direction of the Authority pursuant to sub-paragraph (a) is made available to each STC party, including by way of publication.
 - (e) The system operator shall ensure that the other STC parties are furnished with a copy of any amendment so made.
8. The system operator shall prepare and publish a summary of the STC as amended or changed from time to time in such form and manner as the Authority may from time to time direct.
9. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.
10. The STC Framework Agreement shall contain provisions:
- (a) for admitting as an additional party to the STC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the STC) on which accession to the STC Framework Agreement is offered; and
 - (b) for referring for determination by the Authority any dispute which shall arise as to whether a person seeking to be admitted as a party to the STC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking accession has fulfilled all relevant accession conditions, for admitting such person to be a party to the STC Framework Agreement.
11. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any amendment which has been made to the STC.
12. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for amendment set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which

are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).

13. For the avoidance of doubt, paragraphs 11 and 12 are without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in those paragraphs, which the Authority may have.
14. The licensee shall comply with any direction to the licensee made pursuant to this condition.
15. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the GB transmission system or to such extent as may be specified in the direction.
16. In this condition:

"applicable STC objectives" means:

- (a) in relation to a proposed amendment of the amendment procedures, the requirements of paragraph 6 (to the extent that they do not conflict with the objectives set out in paragraph 3); and
- (b) in relation to any other proposed amendment, the objectives set out in paragraph 3.

"party entry processes" means the procedures, processes and steps to be followed by a party following accession to the STC Framework Agreement.

"STC Committee" means the committee established by STC parties in accordance with the provisions of the STC.

"STC procedures" means the processes and procedures from time to time listed in the STC that the parties to such processes and procedures consider and agree are appropriate to support their compliance with the rest of the STC.

"transition modification" means the provisions of this condition which apply or

provisions"

applied during the transition period and which enable or enabled the Authority (whether with or without the consent of the Secretary of State) to direct the licensee to modify the STC in certain circumstances.

Condition B17: Network Output Measures

Part A: Purpose

1. The purpose of this condition is to ensure the development and maintenance of an appropriate methodology to enable the evaluation of network output measures (as defined in paragraph 2) for the licensee's transmission system.

Part B: Development of the network output measures methodology

2. The licensee shall, in consultation with other transmission licensees [to which this condition applies](#) and interested parties, before 31 May 2008 or such later date as the Authority may direct, submit a methodology (the "network output measures methodology") for approval by the Authority in accordance with paragraphs 7, 8 and 9. The network output measures methodology shall be designed to enable the evaluation of:
 - (a) the current condition of the assets which collectively form the licensee's transmission system (including the condition of the principal components of those assets) (collectively, "network assets"), the reliability of network assets, and the predicted rate of deterioration in the condition of network assets which is relevant to making assessment of the present and future ability of network assets to perform their function ("network asset condition");
 - (b) the overall level of risk to the reliability of the licensee's transmission system as a result of network asset condition and the interdependence between network assets ("network risk");
 - (c) those aspects of the technical performance of the licensee's transmission system which have a direct impact on the reliability and cost of services provided by the licensee as part of its transmission business ("network performance");
 - (d) the level of the capability and the utilisation of the licensee's transmission system at entry and exit points and other network capability and utilisation factors ("network capability");collectively the "network output measures".
3. The licensee shall set out in its proposed network output measures methodology the categories of data to be used and the methodology to be applied to such data to derive the network output measures.
4. The network output measures shall be designed to facilitate:

- (a) the monitoring of the licensee's performance in relation to the development, maintenance and operation of an efficient, co-ordinated and economical system of electricity transmission;
- (b) the assessment of historical and forecast network expenditure on the licensee's transmission system;
- (c) the comparative analysis over time between:
 - (i) geographic areas of, and network assets within the licensee's transmission system;
 - (ii) transmission systems within Great Britain, [in the territorial sea adjacent to Great Britain and in any Renewable Energy Zone](#);
 - (iii) transmission systems within Great Britain and within other countries;
 - (iv) transmission systems and distribution systems within Great Britain;
- (d) the communication of relevant information regarding the licensee's transmission system between the licensee, the Authority and interested parties in a transparent manner; and
- (e) the assessment of customer satisfaction derived from the services provided by the licensee as part of its transmission business;

collectively the "objectives".

5. Save where the Authority otherwise consents, when submitting its network output measures methodology proposal for approval by the Authority in accordance with paragraph 2, the licensee shall also provide the Authority with:
 - (a) analysis and reports relevant to the development of the network output measures methodology, including supporting data and models to indicate how the proposed methodology facilitates the objectives;
 - (b) a description of the data and treatment applied to that data used in the network output measures methodology; and
 - (c) historical data which was used in the network output measures methodology. Historical data should, where reasonably practicable, be provided for a period of at least ten years preceding the year in which the proposal is submitted.

6. The Authority shall review the proposed network output measures methodology submitted to it under paragraph 2 and shall consult with the transmission licensees to which this condition applies and where appropriate other interested parties.
7. If the Authority is satisfied that the network output measures methodology proposed by the licensee in accordance with paragraph 2 facilitates the objectives, the Authority shall approve the proposed network output measures methodology.
8. If the Authority is satisfied that the network output measures methodology proposed by the licensee in accordance with paragraph 2 would, if amended, facilitate the objectives, the Authority may approve such proposed network output measures methodology with such amendments as the Authority shall direct.
9. If the Authority is not satisfied that the network output measures methodology proposed by the licensee in accordance with paragraph 2 facilitates the objectives or if the Authority is not satisfied that the proposed methodology would facilitate the objectives if amended, the Authority shall issue a notice of disapproval of such proposed network output measures methodology. The Authority shall, in such a notice, provide reasons for such disapproval. The Authority shall also, after consulting with the transmission licensees to which this condition applies and other interested parties, direct the areas in which the licensee shall make improvements to the network output measures methodology that it has proposed and the date by which the licensee shall propose to the Authority such an improved network output measures methodology.

Part C: Implementation of the network output measures methodology

10. Where the network output measures methodology has been approved by the Authority under paragraph 7 or 8 the licensee shall:
 - (a) from 1 April 2009, or such later date as the Authority may direct, record the data required for the application of the network output measures methodology together with the network output measures derived pursuant to it;
 - (b) in respect of the relevant year commencing on 1 April 2009 (or such later date as the Authority may direct) and each subsequent relevant year, submit a report on the network output measures to the Authority by 31 July (or such later date as the Authority may direct) in the year immediately following the end of the relevant year to which the network output measures relate. The Authority will propose any corresponding specific

reporting arrangements applicable to the network output measures in accordance with standard condition B15 (Price Control Review Information).

11. Where the network output measures methodology has been approved by the Authority under paragraph 8 the licensee shall also provide the Authority as soon as is reasonable practicable with the relevant data specified in paragraph 5(c) reflecting the amendments to the proposed network output measures methodology directed by the Authority.

Part D: Modification to the network output measures methodology

12. The licensee shall at all times keep the approved network output measures methodology under review to ensure that it facilitates the objectives.
13. The licensee shall, subject to paragraphs 14, 15 and 16, make such modifications to the approved network output measures methodology as may be required to better facilitate the objectives.
14. Except with the consent of the Authority, before making a modification to the network output measures methodology the licensee shall:
 - (a) consult with the transmission licensees to which this condition applies and other interested parties and allow them a period of not less than 28 days within which to make written representations;
 - (b) furnish the Authority with a report setting out:
 - (i) the proposed modification to the approved network output measures methodology;
 - (ii) the representations (if any) made to the licensee and not withdrawn;
 - (iii) any changes to the modification proposed to the approved network output measures methodology proposed as a consequence of such representations;
 - (iv) how the proposed modification better facilitate the objectives;
 - (v) the data used to develop the modification to the network output measures methodology. Historical data should, where reasonably practicable, be provided for a period of at least ten years preceding the year in which the modification was proposed;

- (vi) a timetable for implementation of the modification, provided that no such modification may be implemented earlier than the date on which the period referred to in paragraph 15 expires; and
 - (c) where the Authority has given a direction that sub-paragraphs 14(a) and/or 14(b) should not apply, comply with such other requirements that the Authority may specify in the direction in respect of proposals to modify the network output measures methodology.
- 15. Where the licensee has complied with the requirements of paragraph 14, it shall, unless the Authority has within 28 days of the report being furnished to it given a direction that the modifications may not be made, implement the modifications to the network output measures methodology. The Authority shall propose any corresponding changes to the specific reporting arrangements in accordance with standard condition B15 (Price Control Review Information).
- 16. The Authority may review the network output measures methodology (in consultation with the transmission licensee and/or interested parties) and revisions to the network output measures methodology may be directed by the Authority in a manner specified in the directions and the licensee shall forthwith comply with any such directions. The Authority shall propose any corresponding changes to the specific reporting arrangements in accordance with standard condition B15 (Price Control Review Information).

Condition B18 – Offshore Transmission Owner of Last Resort

1. The licensee shall be obliged to comply with any Section E (offshore transmission owner of last resort) Direction that the Authority has issued to the licensee under paragraph 2.
2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, issue Section E (offshore transmission owner of last resort) Direction if the Authority:
 - (a) has not been able to identify an offshore transmission owner, or
 - (b) considers that a circumstance has arisen that would entitle it to revoke the electricity transmission licence of another offshore transmission owner (the “other offshore transmission owner”).
3. The Authority may only issue a Section E (offshore transmission owner of last resort) Direction to the licensee under paragraph 2, if it considers that the licensee could comply with the offshore transmission owner of last resort direction without significantly prejudicing the licensee’s ability:
 - (a) to continue the licensee’s existing activities pursuant to this licence, and
 - (b) to fulfil its existing contractual obligations under any relevant Codes.
4. The Authority may review a Section E (offshore transmission owner of last resort) Direction, at any time.
5. The Section E (offshore transmission owner of last resort) Direction will:
 - (a) have effect on and from the date specified in the Section E (offshore transmission owner of last resort) Direction;
 - (b) remain in effect until the date specified in the direction or such other time as the Authority shall revoke or vary the Section E (offshore transmission owner of last resort) Direction in writing upon reasonable notice;
 - (c) specify the relevant agreements that the licensee is required to enter into and the date by which it should offer to enter into such agreements as a condition of the Section E (offshore transmission owner of last resort) Direction;

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- (d) contain a Section E (offshore transmission owner of last resort) Direction specifying the standard conditions in Section E of the transmission licence which will apply to the licensee, and
 - (e) [contain any other rights or obligations that the Authority considers necessary or desirable to enable the system operator to fulfil or to continue to fulfil obligations arising from agreements entered into pursuant to standard condition C8, with offshore users which would include without limitation any special conditions and property transfer arrangements that would apply to the licensee].
6. The licensee shall be obliged to offer to enter into relevant agreements within the period of time specified in the Section E (offshore transmission owner of last resort) Direction.

Condition C1: Interpretation of Section C

1. In the standard conditions in this Section unless the context otherwise requires:

"affected ~~transmission licensee~~STC party" means a ~~transmission licensee~~STC party where that ~~licensee~~STC party's transmission system will or may be affected by the implementation of the matters contained in a TO offer or an offer made or to be made by the system operator pursuant to standard condition C8 (Requirement to offer terms).

"ancillary services" means:

- (a) such services as any authorised electricity operator may be required to have available as ancillary services pursuant to the Grid Code; and
- (b) such services as any authorised electricity operator or person making interconnector transfers may have agreed to have available as being ancillary services pursuant to any agreement made with the system operator and which may be offered for purchase by the system operator for the purpose of securing stability of operation of the GB transmission system and the distribution system of any authorised electricity operator or any system linked to the GB transmission system by an interconnector.

"Application Regulations" means regulations in force at the time of application made pursuant to section 6A of the Act.

"associated TO agreement" means an agreement between the system operator and another ~~transmission licensee~~STC party which is entered into following the system operator's acceptance of a TO offer from that other ~~transmission licensee~~STC party and reflects that TO offer.

- "associated TO offer" means a TO offer which relates either (1) to an offer made by the system operator pursuant to standard condition C8 (Requirement to offer terms) or standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) (as appropriate) or (2) to another TO offer which relates to an offer made by the system operator pursuant to standard condition C8 (Requirement to offer terms) or standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) (as appropriate).
- "balancing mechanism" means the mechanism for the making and acceptance of offers and bids pursuant to the arrangements contained in the BSC and referred to in paragraph 2(a) of standard condition C3 (Balancing and Settlement Code (BSC)).
- "balancing services" means:
- (a) ancillary services;
 - (b) offers and bids made in the balancing mechanism; and
 - (c) other services available to the licensee which serve to assist the licensee in co-ordinating and directing the flow of electricity onto and over the GB transmission system in accordance with the Act or the standard conditions and/or in doing so efficiently and economically, but shall not include anything provided by another transmission licensee pursuant to the STC.
- "balancing services activity" means the activity undertaken by the licensee as part of the transmission business including the co-ordination and direction of the flow of electricity onto and over the GB transmission system, the procuring and using of balancing services for the purpose of balancing the GB transmission

system and for which the licensee is remunerated under Part 2 of special condition AA5A (Revenue restriction provision) of the licensee's transmission licence.

"bilateral agreement"

means a bilateral connection agreement and/or a bilateral embedded generation agreement.

"bilateral connection agreement"

means an agreement between the licensee and a CUSC user supplemental to the CUSC relating to a direct connection to the GB transmission system identifying the relevant connection site and setting out other site-specific details in relation to that connection to the GB transmission system, including provisions relating to payment of connection charges.

"bilateral embedded generation agreement"

means an agreement entered into between the licensee and a CUSC user supplemental to the CUSC, relating to a generating station (or other connections provided for in the CUSC) connected to a distribution system and the use of the GB transmission system in relation to that generating station (or other connections provided for in the CUSC) identifying the relevant site of connection to the distribution system and setting out other site specific details in relation to that use of the GB transmission system.

"BSC"

means the balancing and settlement code provided for in paragraph 1 of standard condition C3 (Balancing and Settlement Code (BSC)), as from time to time modified in accordance with that condition.

"BSC Framework Agreement"

means the agreement of that title, in the form approved by the Secretary of State, by which the BSC is made contractually binding between the parties to that agreement, as from time to time amended with the consent of the Secretary of State.

- "BSC party" means any authorised electricity operator which is a party, and (unless the context otherwise requires) any other person which is a party, to the BSC Framework Agreement, other than the licensee and any person which is such a party for the purposes only of administering and/or facilitating the implementation of the BSC.
- "connection charges" means charges made or levied or to be made or levied by the system operator for the carrying out (whether before or after the date on which the licence came into force) of works and provision and installation of electrical plant, electric lines and meters in constructing or modifying entry and exit points on the GB transmission system together with charges in respect of maintenance and repair of such items in so far as not otherwise recoverable as use of system charges and in respect of disconnection and the removal of electrical plant, electric lines and ancillary meters following disconnection, all as more fully described in paragraphs 4 and 8 of standard condition C6 (Connection charging methodology), whether or not such charges are annualised.
- "connection charging methodology" means the principles on which, and the methods by which, for the purposes of achieving the objectives referred to in paragraph 11 of standard condition C6 (Connection charging methodology), connection charges are determined.
- "construction agreement" means an agreement between the licensee and a CUSC user in respect of construction works required on the GB transmission system and the associated construction works of the CUSC user in relation to a connection to the GB transmission system or in relation to a generating station connected to a distribution system, whether for the initial connection or a modification of the connection.

| | |
|------------------------------|---|
| "CUSC" | means the Connection and Use of System Code provided for in paragraph 2 of standard condition C10 (Connection and Use of System Code (CUSC)), as from time to time modified in accordance with that condition. |
| "CUSC Framework Agreement" | means the agreement of that title, in the form approved by the Secretary of State, by which the CUSC is made contractually binding between the parties to that agreement, as amended from time to time with the approval of the Secretary of State. |
| "CUSC party" | means any person who is a party to the CUSC Framework Agreement. |
| "CUSC user" | means a CUSC party other than the licensee. |
| "effective time" | means the start of the first period for trading under the BSC as determined by the Secretary of State. |
| <u>"initial assumptions"</u> | <u>means the assumptions made by the licensee about the works required to extend the GB transmission system where the relevant offshore transmission owner has not been identified.</u> |
| "information" | includes any documents, accounts, estimates (whether relating to the past or the future), returns, records or reports and data in written, verbal or electronic form and information in any form or medium whatsoever (whether or not prepared specifically at the request of the Authority). |
| "interconnector(s)" | has the meaning given to 'electricity interconnector' in section 4(3E) of the Act. |
| <u>"offshore works"</u> | <u>means the works to be carried out by an offshore transmission owner and any consequential changes to the works to be carried out on any other STC party's transmission system, in connection with the extension or reinforcement of the GB transmission system rendered (at</u> |

the discretion of an STC party where the works are to be carried out on that STC party's transmission system) appropriate or necessary by reason of making the connection or modification to an existing connection.

- "total system" means the GB transmission system and the distribution systems of all authorised electricity operators which are located in Great Britain.
- "transmission network services" means all services provided by the licensee as part of its transmission business other than excluded services and in relation to any area of Great Britain the balancing services activity.
- "use of system charges" means charges made or levied or to be made or levied by the licensee for the provision of transmission network services and/or in relation to any area of Great Britain in respect of the balancing services activity, in each case as part of the transmission business, to any authorised electricity operator, but shall not include connection charges.
- "use of system charging methodology" means the principles on which, and the methods by which, for the purposes of achieving the objectives referred to in paragraph 5 of standard condition C5 (Use of system charging methodology), use of system charges are determined.

Condition C2: Prohibited activities

1. The purpose of this condition is to prevent abuse by the licensee of its position as owner or operator of the licensee's transmission system and in carrying out activities in relation to co-ordinating and directing the flow of electricity onto and over the GB transmission system.
2. Except with the written consent of the Authority, the licensee shall not and shall procure that any affiliate or related undertaking of the licensee shall not, on its own account (or that of the licensee or of any affiliate or related undertaking of the licensee as the case may be), purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties except pursuant to the procurement or use of balancing services in connection with co-ordinating and directing the flow of electricity onto and over the GB transmission system and doing so economically and efficiently.
3. In paragraph 2, the reference to the purchase or other acquisition of electricity shall include entering into or acquiring the benefit of a contract conferring rights or obligations (including rights or obligations by way of option) in relation to or by reference to the sale, purchase or delivery of electricity at any time or the price at which electricity is sold or purchased at any time.
- ~~3.4.~~ Except with the written consent of the Authority or by direction pursuant to standard condition B18, the licensee shall not and shall procure that any subsidiary of the licensee shall not, on its own account (or that of the licensee or of any subsidiary of the licensee as the case may be), seek to hold or hold a transmission licence that has Section E in effect.

Condition C8: Requirement to offer terms

1. Unless otherwise determined by the Authority under standard condition C9 (Functions of the Authority), on application made on or after the BETTA go-live date by:
 - (a) any authorised electricity operator in the case of an application for use of system; and
 - (b) any person in the case of an application for connection,the licensee shall (subject to paragraph 6) offer to enter into the CUSC Framework Agreement.
2. On application made on or after the BETTA go-live date by any person or any authorised electricity operator in accordance with paragraph 1, the licensee shall, where required by the STC, notify other ~~transmission licensees~~ STC parties in accordance with the STC and, for the purpose of making an offer for connection or modification to an existing connection or for use of system, shall co-operate and co-ordinate its activities with any other ~~transmission licensees~~ STC parties in accordance with the STC.
3. On application made on or after the BETTA go-live date by any person the licensee shall (subject to paragraph 6) offer to enter into a bilateral agreement and/or a construction agreement relating to connection or modification to an existing connection and such offer shall reflect any associated TO offer which relates to that offer and shall make detailed provision regarding:
 - (a) the carrying out of work (if any) required to connect the GB transmission system to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;
 - (b) the carrying out of works (if any) in connection with the extension or reinforcement of the GB transmission system rendered (at the discretion of an ~~STC party~~ transmission licensee where the works are to be carried out on that ~~licensee's~~ STC party's transmission system) appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose;
 - (c) where there is a need for the Authority to identify an offshore transmission owner, the initial assumptions made by the licensee regarding the carrying out of works in connection with the extension or reinforcement of the GB transmission system rendered

appropriate or necessary by reason of making the connection or modification to an existing connection and for the obtaining of any consents necessary for such purpose:

~~(e)~~(d) the installation of appropriate meters (if any) required to enable the licensee to measure electricity being accepted into the GB transmission system at the specified entry point or points or leaving such system at the specified exit point or points;

~~(e)~~(e) the date by which any works required to permit access to the GB transmission system (including for this purpose any works to reinforce or extend the GB transmission system) shall be completed (time being of the essence unless otherwise agreed by the person seeking connection);

~~(e)~~(f) the connection charges to be paid to the licensee, such charges:

(i) to be presented in such a way as to be referable to the connection charging methodology or any revision thereof; and

(ii) to be set in conformity with the requirements of paragraph 8 of standard condition C6 (Connection charging methodology) and (where relevant) paragraph 4; and

~~(f)~~(g) such further terms as are or may be appropriate for the purpose of the agreement.

4. For the purpose of determining an appropriate proportion of the costs directly or indirectly incurred in carrying out works under a bilateral agreement and/or construction agreement, the licensee will have regard to:

(a) the benefit (if any) to be obtained or likely in the future to be obtained by any transmission licensee or any other person as a result of carrying out such works whether by reason of the reinforcement or extension of the GB transmission system or the provision of additional entry or exit points on such system or otherwise; and

(b) the ability or likely future ability of any transmission licensee to recoup a proportion of such costs from third parties.

5. The licensee shall offer terms in accordance with paragraphs 1 and 3 above as soon as practicable and (except where the Authority consents to a longer period) in any event not more than the period specified in paragraph 7 below after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer.

6. The licensee shall not be obliged pursuant to this condition to offer to enter or to enter into any agreement if:

- (a) to do so would be likely to involve the licensee:
 - (i) in breach of its duties under section 9 of the Act;
 - (ii) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business;
 - (iii) in breach of the Grid Code; or
 - (iv) in breach of the conditions; or
- (b) the person making the application does not undertake to be bound insofar as applicable by the terms of the Grid Code and/or the CUSC from time to time in force; or
- (c) in the case of persons making application for use of system under paragraph 1, such person ceases to be an authorised electricity operator; or

(d) it is unable to do so due to another transmission licensee having notified the licensee that, for one or more of the reasons set out in paragraph 4 of standard condition D4A and E17 (Obligations in relation to offers for connection etc), it is not obliged to offer to enter or to enter into any agreement with the licensee in accordance with paragraph 1 or paragraph 3 of standard condition D4A or E17 (Obligations in relation to offers for connection etc) and that it does not intend to offer to enter or to enter into any such agreement; or

~~(d)~~(e) it is unable to do so due to another STC party having notified the licensee in accordance with the STC that it is not obliged to offer terms to enter or to enter into any agreement with the licensee.-

7. For the purposes of paragraph 5, the period specified shall be:

- (a) in the case of persons seeking use of system only and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such use, 28 days; and

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- (b) in the case of persons seeking a bilateral connection agreement or a construction agreement (and seeking to become a party to the CUSC Framework Agreement if not already a party, in connection with such agreements), 3 months; and
- (c) in any other case, 28 days.

8. The licensee shall within 28 days following receipt of a request from any person, give or send to such person such information in the possession of the licensee as may be reasonably required by such person for the purpose of completing an application under the Application Regulations or such provisions of similar effect contained in any further regulations.

~~8.9.~~ On receipt of notice from the Authority that an offshore transmission owner has been identified, the licensee shall propose to vary the contractual terms of a bilateral connection agreement and/or construction agreement entered into pursuant to paragraph 3, within [X] months to reflect any associated TO offer in respect of the carrying out of offshore works.

Condition C9: Functions of the Authority

1. If, after a period which appears to the Authority to be reasonable for the purpose, the licensee has failed to enter into an agreement with (as the case may be) any authorised electricity operator or any person entitled or claiming to be entitled thereto pursuant to a request under standard condition C8 (Requirement to offer terms), the Authority may, pursuant to section 7(3)(c) of the Act and on application of such authorised electricity operator or such person or the licensee, settle any terms in dispute of the agreement to be entered into between the licensee and that authorised electricity operator or that person in such manner as appears to the Authority to be reasonable having (in so far as relevant) regard in particular to the following considerations:
 - (a) that such authorised electricity operator or such person should pay to the licensee:
 - (i) in the case of use of system, use of system charges in accordance with paragraphs 1 and 6 of standard condition C4 (Charges for use of system); or
 - (ii) in the case of connection charges in accordance with paragraphs 1 and 7 of standard condition C6 (Connection charging methodology);
 - (b) that the performance by the licensee of its obligations under the agreement should not cause it to be in breach of those provisions referred to at paragraph 6 of standard condition C8 (Requirement to offer terms);
 - (c) that the performance by another transmission licensee of its obligations under any associated TO agreement should not cause another transmission licensee to be in breach of those provisions referred to at paragraph 4 of standard condition D4A or E17 (Obligations in relation to offers for connection etc);
 - ~~(e)~~(d) that the performance by another STC party of its obligations under any associated TO agreement should not cause another STC party to be in breach of the STC;
 - (e) that any methods by which the GB transmission system is connected to any other system for the transmission or distribution of electricity accord (insofar as applicable to the licensee) with the Grid Code, the STC and the Distribution Code;

~~(d)~~(f) that the initial assumptions made (if any) by the licensee in respect of the offshore works were reasonable; and

~~(e)~~(g) that the terms and conditions of the agreement so settled by the Authority and of any other agreements entered into by the licensee pursuant to a request under standard condition C8 (Requirement to offer terms) should be in as similar a form as is practicable.

2. If an application is made in accordance with paragraph 1 above, the licensee shall:

(a) notify the Authority of:

(i) any associated TO offer which relates to the agreement to be entered into which is the subject of that application;

~~(i)~~(ii) any need for an offshore transmission owner to be identified which relates to the agreement to be entered into which is subject of that application;

~~(ii)~~(iii) any transmission licenseeSTC party (other than a transmission licensee who has made a TO offer) which the licensee knows or reasonably considers is or may be an affected transmission licenseeSTC party for the purposes of the agreement to be entered into which is the subject of that application or any associated TO offer which relates to the agreement to be entered into;

(b) notify each transmission licensee who has made an associated TO offer which relates to the agreement to be entered into and any other transmission licenseeSTC party which the licensee knows or reasonably considers is or may be an affected transmission licenseeSTC party for the purposes of the agreement to be entered into which is the subject of that application or any associated TO offer which relates to the agreement to be entered into, of such application; and

(c) request that the Authority exercise its powers under section 7(3)(c) of the Act to:

(i) settle the terms of each associated TO offer which is affected by the Authority's determination made pursuant to paragraph 1 above or this paragraph 2(c); and

(ii) determine whether any TO offer (other than those TO offers (if any) which the licensee shall have notified to the Authority in accordance with paragraph 2(a) above) is required in connection with the Authority's determination made pursuant to paragraph 1 above or this paragraph 2(c).

3. Insofar as any person entitled or claiming to be entitled to an offer under standard condition C8 (Requirement to offer terms) wishes to proceed on the basis of an agreement as settled by the Authority pursuant to paragraph 1, the licensee shall forthwith enter into such agreement.
4. If in respect of any bilateral agreement or construction agreement entered into pursuant to standard condition C8 (Requirement to offer terms) or standard condition C18 (Requirement to offer terms for connection or use of the GB transmission system during the transition period) or this condition either the licensee or other party to such agreement proposes to vary the contractual terms of such agreement in any manner provided for under such agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable.
5. If a request is made in accordance with paragraph 4 above, the licensee shall:
 - (a) notify the Authority of any associated TO agreement which relates to the agreement which is the subject of that request;
 - (b) notify each transmission licensee who is a party to an associated TO agreement notified to the Authority pursuant to paragraph (a); and
 - (c) request that the Authority exercise its powers under section 7(3)(c) of the Act to settle the terms of each associated TO agreement which is affected by the Authority's determination made pursuant to paragraph 4 above.
6. Where the licensee is party to a relevant agreement for connection and/or use of system which is other than in conformity with the CUSC, if either the licensee or other party to such agreement for connection and/or use of system proposes to vary the contractual terms of such agreement in any manner provided for under such relevant agreement, the Authority may, at the request of the licensee or other party to such agreement, settle any dispute relating to such variation in such manner as appears to the Authority to be reasonable having (in so far as relevant) regard to the consideration that the terms so settled are, in so far as circumstances allow, similar to the equivalent terms in the CUSC.
7. If a request is made in accordance with paragraph 6 above, the licensee shall:
 - (a) notify the Authority of any associated TO agreement which relates to the agreement which is the subject of that request;

- (b) notify each ~~transmission licensee~~STC party who is a party to an associated TO agreement notified to the Authority pursuant to paragraph (a); and
 - (c) request that the Authority exercise its powers under section 7(3)(c) of the Act to settle the terms of each associated TO agreement which is affected by the Authority's determination made pursuant to paragraph 6 above.
8. If the licensee and a CUSC user or other person or party to a relevant agreement are in dispute as to whether:
- (a) use of system charges made, or to be made, conform with the statement of the use of system charges furnished under paragraphs 2(b) or 8 of standard condition C4 (Charges for use of system), standard condition C4A (Charges for use of the licensee's transmission system) or standard condition C7 (Charges for Use of System) (as appropriate) which applied or applies in relation to the period in respect of which the dispute arises;
 - (b) connection charges made, or to be made, conform with the statement of the connection charging methodology furnished under paragraphs 4 or 10 of standard condition C6 (Connection charging methodology), standard condition C6A (E&W connection charging methodology) or standard condition C7B (Connection Charging Methodology) (as appropriate) which applied or applies in relation to the period in respect of which the dispute arises,

such dispute may be referred to the Authority for him to determine whether, in the case of sub-paragraph (a), the charges made, or to be made, conformed with the relevant statement(s) furnished under standard condition C4 (Charges for use of system), standard condition C4A (Charges for use of the licensee's transmission system) or standard condition C7 (Charges for Use of System) (as appropriate), or whether, in the case of sub-paragraph (b), the charges conformed with the relevant methodology.

9. For the purposes of this condition:

"relevant agreement" means an agreement in respect of which paragraph 3 of standard condition 10C of the licensee's transmission licence, as such applied immediately prior to 18 September 2001 had effect.

10. For the purposes of paragraph 8 of this condition only, the following words shall, unless the context otherwise requires, have the meaning ascribed to that term in the electricity transmission licence standard conditions which applied or applies in relation to the period in respect of which the dispute arises:
- (a) connection charges;
 - (b) connection charging methodology; and
 - (c) use of system charges.

Condition C15: Compliance with Distribution Codes and Agreements

1. The licensee shall comply with the provisions of every Distribution Code in so far as applicable to it.
2. The Authority may, following consultation with the licensed distributor responsible for the relevant Distribution Code and any other authorised electricity operators directly affected thereby, issue directions relieving the licensee of its obligation under paragraph 1 in respect of such parts of such Distribution Code and to such extent and subject to such conditions as may be specified in those directions.
3. The licensee shall be a party to and comply with the Distribution Connection and Use of System Agreement in so far as applicable to it.

Condition C17: Transmission system security standard and quality of service

1. The licensee shall at all times:
 - (a) plan, develop and operate the licensee's transmission system; and
 - (b) co-ordinate and direct the flow of electricity onto and over the GB transmission system,

in accordance with the GB Security and Quality of Supply Standard version [4.1](#) together with the STC, the Grid Code or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby).
2. The licensee shall at all times have in force a statement approved by the Authority following consultation with any relevant authorised electricity operator setting out criteria by which system availability, security and service quality of the GB transmission system may be measured and where such measurement is dependent on information provided to the licensee by a transmission owner, the statement shall specify the information to be so provided.
3. The licensee shall within 4 months after the end of each financial year submit to the Authority a report providing details of system availability, security and service quality of the GB transmission system during the previous financial year against the criteria referred to in paragraph 2 of this condition and shall publish the report if within 2 months of the date of submission the Authority does not give a direction to the licensee not to publish the report.
4. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system or the GB transmission system and to such extent as may be specified in the directions.
5. The licensee shall give or send a copy of the documents (other than the Grid Code and the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
6. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.

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7. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition C25: Provision of information [and assistance] to the Authority in relation to applications requiring the appointment of an offshore transmission owner

1. The licensee shall furnish to the Authority information relating to
 - a) any application made under standard condition C8 that would require the appointment of an offshore transmission owner;
 - b) any agreement entered into under standard condition C8 that requires the appointment of an offshore transmission owner, and
 - c) any agreed variation to the contractual terms entered into under standard condition C8 that requires the appointment of an offshore transmission owner.
2. The licensee shall submit to the Authority information equivalent to an application in accordance with the STC, made by the licensee to another licensee under paragraph 1 or of standard condition D4A, in respect of an application made under standard condition C8 that requires the appointment of an offshore transmission owner.
3. The licensee shall provide information required under paragraphs 1 and 2 without specific request from the Authority and within [10] business days of the date of the application made or agreement entered into, under standard condition C8.
4. The licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, such information [and assistance] as the Authority may reasonably require or as may be necessary, for the purposes of appointing an offshore transmission owner.
5. The licensee shall notify the Authority within [10] business days of the completion of any new offshore transmission system.
6. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 47 of the Act.
7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
8. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient

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for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Condition D3: Transmission system security standard and quality of service

1. The licensee shall at all times plan and develop the licensee's transmission system in accordance with the GB Security and Quality of Supply Standard version [4.1](#), together with the STC or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the GB transmission system.
2. The licensee shall no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph 3 of standard condition C17 (Transmission system security standard and quality of service) of the transmission Licence.
3. *(Omitted)*
4. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
5. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
6. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.
7. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition D4A: Obligations in relation to offers for connection etc

1. On notification by the system operator of receipt on or after the BETTA go-live date of an application for connection or for modification to an existing connection in accordance with paragraph 2 of standard condition C8 (Requirement to offer terms), the licensee shall (subject to paragraph 2 and paragraph 4) offer to enter into an agreement with the system operator and such offer shall make detailed provision regarding:
 - (a) the carrying out of work (if any) on the licensee's transmission system required to connect the GB transmission system to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;
 - (b) the carrying out of works (if any) on the licensee's transmission system in connection with the extension or reinforcement of the licensee's transmission system which is rendered (in the licensee's discretion) appropriate or necessary by reason of making the connection or modification to an existing connection to the GB transmission system and for the obtaining of any consents necessary for such purpose;
 - (c) where the system operator requests the same, the installation of meters (if any) on the licensee's transmission system required to enable the system operator to measure electricity being accepted onto the GB transmission system at the specified entry point or points or leaving such system at the specified exit point or points;
 - (d) the date by which any works required on the licensee's transmission system to facilitate access to the GB transmission system (including for this purpose any works on the licensee's transmission system to reinforce or extend the licensee's transmission system) shall be completed (time being of the essence unless otherwise agreed by the system operator);
 - (e) such costs as may be directly or indirectly incurred in carrying out the works, the extension or reinforcement of the licensee's transmission system or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters, which works are detailed in the offer;
 - (f) such further terms as are or may be appropriate for the purpose of the agreement; and

in providing such information, the licensee shall co-operate and co-ordinate its activities with other ~~transmission licensees~~ [STC parties](#) in accordance with the STC.

2. Subject to paragraph 4, the licensee shall, after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer, offer terms in accordance with paragraph 1 above as soon as practicable and (except where the Authority consents to a longer period) in accordance with the time periods specified for this purpose in the STC.
3. On notification by the system operator in accordance with paragraph 2 of standard condition C8 (Requirement to offer terms) of receipt by the system operator on or after the BETTA go-live date of an application for use of system, the licensee shall (subject to paragraph 4), where the system operator requests that it do so in accordance with the STC, offer to enter into an agreement with the system operator in respect of such application in the manner provided in the STC and for the purposes of making such offer shall cooperate and co-ordinate its activities with other ~~transmission licensees~~ [STC parties](#) in accordance with the STC.
4. The licensee shall not be obliged pursuant to this condition to offer to enter into or to enter into any agreement pursuant to this condition if to do so would be likely to involve the licensee:
 - (a) in breach of its duties under section 9 of the Act;
 - (b) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business; or
 - (c) in breach of the conditions,

and where the licensee is not obliged pursuant to this condition to offer to enter into or to enter into an agreement with the system operator, the licensee shall notify the system operator of that fact (and of the fact that it does not intend to offer to enter into or to enter into an agreement pursuant to paragraph 1 or paragraph 3) as soon as practicable in accordance with the STC.

Condition E1: Interpretation of Section E: Not Used

Condition E2: Regulatory Accounts

Part A: Application and purpose

1. This condition applies for the purpose of ensuring:
 - (a) the licensee prepares and publishes regulatory accounts within the meaning of paragraph 3 (b); and
 - (b) that the licensee maintains (and secures that any affiliate or related undertaking of the licensee maintains) such accounting records, other records and reporting arrangements for the consolidated transmission business as are necessary to enable the licensee to comply with that obligation.

Part B: Preparation of accounts

2. For the purposes of this condition, but without prejudice to paragraph 6, the licensee shall prepare regulatory accounts for each financial year ending on 31 March.
3. Unless the Authority otherwise consents, the licensee shall:
 - (a) keep or cause to be kept for a period approved by the Authority, but not less than the period referred to in section 222(5)(b) of the Companies Act 1985 and in the manner referred to in that section, such accounting records and other records as are necessary so that the revenues, costs, assets, liabilities, reserves, and provisions of, or reasonably attributable to the consolidated transmission business are separately identifiable in the accounting records of the licensee (and of any affiliate or related undertaking of the licensee) from those of any other business of the licensee; and
 - (b) prepare, on a consistent basis from such accounting records in respect of each financial year, regulatory accounts (including notes thereto and statements of the accounting policies adopted) of the licensee comprising:
 - (i) a profit and loss account (or, as appropriate, an income statement);
 - (ii) a statement of total recognised gains and losses (or, as appropriate, a statement of changes in equity and if appropriate a statement of recognised income and expense);
 - (iii) a balance sheet;

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- (iv) a cash flow statement;
- (v) a corporate governance statement in respect of the consolidated transmission business;
- (vi) a directors' report in respect of the consolidated transmission business;
- (vii) an operating and financial review in respect of the consolidated transmission business; and
- (viii) a statement showing separately in respect of the consolidated transmission business and in appropriate detail the amounts of any revenue, cost, asset, liability, reserve or provision which has either been:
 - (aa) charged from any ultimate controller of the licensee, together with any subsidiary of such ultimate controller (other than the licensee or its subsidiaries) in relation to the provision of goods or services to the licensee;
 - (bb) charged from the licensee together with any subsidiary of the licensee in relation to the provision of goods or services to any ultimate controller of the licensee together with any subsidiaries of such ultimate controller (other than the licensee or its subsidiaries); or
 - (cc) determined by apportionment or allocation to the consolidated transmission business or between any other business of the licensee or affiliate or related undertaking together with a description of the basis of the apportionment or allocation;

provided that the obligations in (aa), (bb) and (cc) above shall only apply to goods and services received or supplied for the purposes of the consolidated transmission business.

4. Unless the Authority so specifies in directions issued for the purposes of this condition, or with the Authority's prior written approval, the licensee shall not in relation to the regulatory accounts in respect of a financial year change the bases of charge or apportionment or allocation referred to in paragraph 3(b)(viii) from those applied in respect of the previous financial year.
5. Where, in relation to the regulatory accounts in respect of a financial year, the licensee has, in accordance with paragraph 4 above, changed such bases of charge or apportionment or allocation or changed any of its accounting policies or the application of those accounting

policies from those adopted for the immediately preceding financial year, the licensee shall, if directed by the Authority in writing, in addition to preparing regulatory accounts on those bases which it has adopted, also prepare such regulatory accounts on the bases and the accounting policies and the application of its accounting policies which applied in respect of that immediately preceding financial year.

6. Regulatory accounts and information in respect of a financial year prepared under paragraph 3(b) shall, so far as reasonably practicable and unless otherwise approved by the Authority having regard to the purposes of this condition, have the same content and format as the most recent or concurrent statutory accounts of the licensee prepared under section 226 and 226A or, where appropriate, section 226B of the Companies Act 1985 and shall comply with all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, where appropriate, by the International Accounting Standards Board.

Part C: Audit and delivery of accounts

7. Unless the Authority otherwise consents, the licensee shall:
 - (a) procure, in relation to its regulatory accounts:
 - (i) an audit by an appropriate auditor of such parts of those accounts and the directors' report and operating and financial review as are specified in the Companies Act 1985 as being required to be so audited as if the licensee were a quoted company and they were the statutory accounts of the licensee prepared under sections 226 and 226A or, as appropriate, section 226B of the Companies Act 1985 drawn up to 31 March; and
 - (ii) a report by that auditor, addressed to the Authority, stating whether in the auditor's opinion those accounts fairly present the financial position, financial performance and cash flows of or reasonably attributable to the consolidated transmission business in accordance with the requirements of this condition; and
 - (b) deliver to the Authority those accounts and the auditor's reports referred to in subparagraph (a)(ii) and paragraph 8 as soon as is reasonably practicable, and in any event prior to their publication under Part D and not later than 31 July following the end of the financial year to which the regulatory accounts relate.

8. The licensee shall take all appropriate steps within its power to procure, in relation to its regulatory accounts:
 - (a) that the audit referred to in paragraph 7(a)(i) verifies whether the obligation to avoid discrimination and cross-subsidies specified in Article 19 of Directive 2003/54/EC of the European Parliament and of the European Council of 26 June 2003 has been respected by the licensee; and
 - (b) that the appropriate auditor reports separately on that matter from his report under paragraph 7(a)(ii) addressed to the Authority.
9. For the purposes of paragraphs 7 and 8, the licensee must, at its own expense, enter into a contract of appointment with an appropriate auditor which includes a term requiring that the audit of the regulatory accounts of the licensee must be conducted by that auditor in accordance with all such relevant auditing standards in force on the last day of the financial year to which the audit relates as would be appropriate for accounts prepared in accordance with either section 226A or 226B of the Companies Act 1985.

Part D: Publication of regulatory accounts

10. Unless the Authority otherwise directs, after consulting the licensee, the licensee shall publish its regulatory accounts with the exception of the part of such regulatory accounts which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively required under paragraph 3(b)(viii), and any other information agreed by the Authority in writing to be confidential:
 - (a) as a stand-alone document in accordance with this condition;
 - (b) by 31 July following the end of the financial year to which the accounts relate;
 - (c) on a website used by the licensee in its ordinary course of business (where the regulatory accounts should be reasonably accessible to any person requiring them); and
 - (d) in any other manner which, in the opinion of the licensee, is necessary to secure adequate publicity for the accounts.
11. A copy of the regulatory accounts must be provided free of charge:
 - (a) to the National Consumer Council no later than the date on which the regulatory accounts are published; and

- (b) to any person requesting a copy.

Part E: Interpretation

12. References in this condition to sections of the Companies Act 1985 are references to those provisions as amended, substituted or inserted by the relevant provisions of the Companies Act 1989, and if such provisions of the Companies Act 1989 are not in force at the date on which this condition takes effect, it must be construed as if such provisions were in force at such date.
13. A consent under paragraph 3 or directions under paragraphs 4 or 5 may be given in relation to some or all of the requirements of the relevant paragraph and subject to such conditions as the Authority considers appropriate or necessary having regard to the purposes of this condition.
14. In this condition:
 - (a) “corporate governance statement” means a statement which describes how the principles of good corporate governance have been applied to the licensee and which a quoted company is required to prepare pursuant to the Combined Code on Corporate Governance issued under the Financial Services Authority’s listing rules and interpretations on corporate governance (and, for the purposes of this condition, the requirement for a quoted company to prepare such a statement is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
 - (b) “directors’ report” means a report having the coverage and content of the directors’ report which a quoted company is required to prepare pursuant to sections 234, 234ZZA and 234ZZB of the Companies Act 1985 (and, for the purposes of this condition, the requirement for a quoted company to prepare such a report is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
 - (c) “operating and financial review” means a review having the coverage and content of the operating and financial review which a quoted company is required to prepare pursuant to section 234AA of the Companies Act 1985 and in accordance with Schedule 7ZA thereof (and, for the purposes of this condition, the requirement for a quoted company to prepare such a review is to be taken as a requirement for the licensee to do so whether or not it is a quoted company).
 - (d) “quoted company” has the meaning attributed to it by the Companies Act 1985.

Condition E3: Change of Financial Year

1. The definition of “financial year” in standard condition A1 (Definitions and Interpretation) shall, for the purpose only of the statutory accounts of the licensee, cease to apply to the licensee from the date at which the licensee sends a notice to the Authority for that purpose.
2. Such notice shall:
 - (a) specify the date from which, for the purpose set out at paragraph 1, the current and subsequent financial years of the licensee shall run; and
 - (b) continue in effect until revoked by the licensee issuing a further notice.
3. The licensee may, for the purpose only of its statutory accounts, change its financial year from that previously notified by sending to the Authority a new notice pursuant to paragraph 1 which specifies the licensee’s new financial year-end.
4. Where the licensee sends the Authority a new notice, the previous notice shall be revoked, as provided by paragraph 2(b), and the licensee’s financial year-end shall change with effect from the date specified in the new notice.
5. The provisions of this condition shall not:
 - (a) apply to the financial year of the licensee as defined in standard condition A1 (Definitions and Interpretation) for the purpose of accounts or other information produced in compliance with standard condition E2 (Regulatory Accounts); or
 - (b) affect the licensee’s obligations in respect of the payment of licence fees under standard condition A4 (Payments to the Authority).

Condition E4: Disposal of relevant assets

1. The licensee shall not dispose of or relinquish operational control over any relevant asset otherwise than in accordance with the following paragraphs of this condition.
2. Save as provided in paragraph 3, the licensee shall give to the Authority not less than two months' prior written notice of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.
3. Notwithstanding paragraphs 1 and 2, the licensee may dispose of or relinquish operational control over any relevant asset-
 - (a) where:
 - (i) the Authority has issued directions for the purposes of this condition containing a general consent (whether or not subject to conditions) to:
 - (aa) transactions of a specified description; or
 - (bb) the disposal of or relinquishment of operational control over relevant assets of a specified description; and
 - (ii) the transaction or the relevant assets are of a description to which such directions apply and the disposal or relinquishment is in accordance with any conditions to which the consent is subject; or
 - (b) where the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation or where the relinquishment of operational control in question is to another transmission licensee and is required by or under standard condition E13 (System Operator – Transmission Owner Code).
4. Notwithstanding paragraph 1, the licensee may dispose of or relinquish operational control over any relevant asset as is specified in any notice given under paragraph 2 in circumstances where:
 - (a) the Authority confirms in writing that it consents to such disposal or relinquishment (which consent may be made subject to acceptance by the licensee or any third party in

favour of whom the relevant asset is proposed to be disposed or operational control is proposed to be relinquished to of such conditions as the Authority may specify); or

- (b) the Authority does not inform the licensee in writing of any objection to such disposal or relinquishment of control within the notice period referred to in paragraph 2.

5. In this condition:

"disposal"

includes

- (a) in relation to disposal of a relevant asset situated in England and Wales or in the territorial sea adjacent to England and Wales any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition;
- (b) in relation to disposal of a relevant asset situated in Scotland or in the territorial sea adjacent to Scotland,, the grant of any disposition, conveyance, contract of excambion, any lease, assignation, licence, the grant of any right of possession, loan, standard security, floating charge to a third party or the grant of any servitude right, wayleave or any other transaction or event which is capable under any enactment or rule of law of affecting the title to a registered interest in land;
- (c) in relation to disposal of a relevant asset situated in a Renewable Energy Zone [any sale, gift, exchange, assignment, lease, licence, loan, mortgage, charge or grant of any other encumbrance or the permitting of any encumbrance to subsist or any other disposition]

and "dispose" and cognate expressions shall be construed accordingly.

| | |
|---|--|
| "relevant asset" | means any asset for the time being forming part of the GB transmission system, any control centre for use in conjunction therewith and any legal or beneficial interest in (or right, title or interest in) land upon which either of the foregoing is situate (which for the purposes of property located in Scotland means any estate, interest, servitude or other heritable or leasehold right in or over land including any leasehold interests or other rights to occupy or use and any contractual or personal rights in favour of the licensee relating to the occupation, use or acquisition of such property). |
| "relinquishment of operational control" | includes, without limitation, entering into any agreement or arrangement whereby operational control of a relevant asset or relevant assets is not or ceases to be under the sole management of the licensee. |

Condition E5: Provision of information to the Authority

1. Subject to paragraphs 5 and 7, the licensee shall furnish to the Authority, in such manner and at such times as the Authority may reasonably require, such information and shall procure and furnish to it such reports, as the Authority may reasonably require or as may be necessary for the purpose of performing:
 - (a) the functions conferred on the Authority by or under the Act, the Energy Act 2004 and [the Energy Act 2008]; and
 - (b) any functions transferred to or conferred on it by or under the Utilities Act 2000.
2. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in a form specified by the Authority that the ultimate controller ("the information covenantor") will give to the licensee, and will procure that any person (including, without limitation, a corporate body) which is a subsidiary of, or is controlled by, the information covenantor (other than the licensee and the licensee's subsidiaries) will give to the licensee, all such information as may be necessary to enable the licensee to comply fully with the obligation imposed on it in paragraph 1. Such undertaking shall be obtained within 7 days of such corporate body or other person in question becoming an ultimate controller of the licensee and shall remain in force for so long as the licensee remains the holder of this licence and the information covenantor remains an ultimate controller of the licensee.
3. The licensee shall deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with the obligation to procure undertakings pursuant to paragraph 2, and shall comply with any direction from the Authority to enforce any undertaking so procured.
4. The licensee shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or, where the ultimate controller is a corporate body, any of the subsidiaries of such a corporate ultimate controller (other than the subsidiaries of the licensee) at a time when:
 - (a) an undertaking complying with paragraph 2 is not in place in relation to that ultimate controller; or

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- (b) there is an unremedied breach of such undertaking; or
 - (c) the licensee is in breach of the terms of any direction issued by the Authority under paragraph 3 of this condition.
5. The licensee shall not be required by the Authority to furnish it under this condition with information for the purpose of the exercise of its functions under section 47 of the Act.
 6. The licensee shall, if so requested by the Authority, give reasoned comments on the accuracy and text of any information or advice (so far as relating to its activities as the transmission licensee) which the Authority proposes to publish pursuant to section 48 of the Act.
 7. This condition shall not require the licensee to produce any documents or give any information which it could not be compelled to produce or give in evidence in civil proceedings before a court.
 8. The power of the Authority to call for information under this condition is in addition to the power of the Authority to call for information under or pursuant to any other condition. There shall be a presumption that the provision of information in accordance with any other condition is sufficient for the purposes of that condition, but that presumption shall be rebutted, if the Authority states in writing that in its opinion such further information is, or is likely to be, necessary to enable it to exercise functions under the condition in question.

Condition E6: Prohibition of cross-subsidies

1. The licensee shall procure that the transmission business shall not give any cross-subsidy to, or receive any cross-subsidy from, any other business of the licensee or of an affiliate or related undertaking of the licensee.

Condition E7: Restriction on Activity and Financial Ring Fencing

1. Save as provided by paragraphs 3 and 4, the licensee shall not conduct any business or carry on any activity other than the transmission business.
2. The licensee shall not without the prior written consent of the Authority hold or acquire shares or other investments of any kind except:
 - (a) shares or other investments in a body corporate the sole activity of which is to carry on business for a permitted purpose;
 - (b) shares or other investments in a body corporate which is a subsidiary of the licensee and incorporated by it solely for the purpose of raising finance for the transmission business; or
 - (c) investments acquired in the usual and ordinary course of the licensee's treasury management operations, subject to the licensee maintaining in force, in relation to those operations, a system of internal controls which complies with best corporate governance practice as required (or, in the absence of any such requirement, recommended) by the UK listing authority (or a successor body) from time to time for listed companies in the United Kingdom.
3. Subject to the provisions of paragraph 2, nothing in this condition shall prevent:
 - (a) any affiliate in which the licensee does not hold shares or other investments from conducting any business or carrying on any activity;
 - (b) the licensee from holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this licence;
 - (c) the licensee from performing the supervisory or management functions of a holding company in respect of any subsidiary; or
 - (d) the licensee from carrying on any business or conducting any activity to which the Authority has given its consent in writing.

4. Nothing in this condition shall prevent the licensee or an affiliate or related undertaking of the licensee in which the licensee holds shares or other investments (a “relevant associate”) from conducting de minimis business as defined in this paragraph so long as the limitations specified in this paragraph are complied with:
- (a) For the purpose of this paragraph, “de minimis business” means any business or activity carried on by the licensee or a relevant associate or relevant associates other than:
 - (i) the transmission business; and
 - (ii) any other business activity to which the Authority has given its consent in writing in accordance with paragraph 3(d).
 - (b) The licensee or a relevant associate may carry on de minimis business provided that neither of the following limitations is exceeded, namely:
 - (i) the aggregate turnover of all the de minimis business carried on by the licensee and the equity share of the aggregate turnover of all the de minimis business carried on by all its relevant associates does not in any period of twelve months commencing on 1 April of any year exceed 2.5 per cent of the aggregate turnover of the transmission business, as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 3(b) of standard condition E2 (Regulatory Accounts); and
 - (ii) the aggregate amount (determined in accordance with sub-paragraph (d) below) of all investments made by the licensee in de minimis business, carried on by the licensee and all relevant associates, does not at any time after the date at which this condition takes effect in the licensee’s transmission licence exceed 2.5 per cent of the sum of the share capital in issue, the share premium and the consolidated reserves (including retained earnings) of the licensee as shown by the most recent audited regulatory accounts of the licensee produced under paragraph 3(b) of standard condition E2 (Regulatory Accounts) then available.
 - (c) For the purpose of sub-paragraph (b) above, “investment” means any form of financial support or assistance given by or on behalf of the licensee for the de minimis business whether on a temporary or permanent basis and including (without limiting the generality of the foregoing) any commitment to provide any such support or assistance in the future.
 - (d) At any relevant time, the amount of an investment shall be the sum of:

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- (i) the value at which such investment was included in the audited historical cost balance sheet of the licensee as at its latest accounting reference date to have occurred prior to the date this condition comes into effect in the licensee's transmission licence (or, where the investment was not so included, zero);
- (ii) the aggregate gross amount of all expenditure (whether of a capital or revenue nature) howsoever incurred by the licensee in respect of such investment in all completed accounting reference periods since such accounting reference date; and
- (iii) all commitments and liabilities (whether actual or contingent) of the licensee relating to such investment outstanding at the end of the most recently completed accounting reference period,

less the sum of the aggregate gross amount of all income (whether of a capital or revenue nature) howsoever received by the licensee in respect of such investment in all completed accounting reference periods since the accounting reference date referred to in subparagraph (d)(i).

5. For the purposes of paragraph 4, "equity share", in relation to any shareholding, means the nominal value of the equity shares held by the licensee in a relevant associate, as a percentage of the nominal value of the entire issued equity share capital of that relevant associate.

Condition E8: Availability of Resources

1. The licensee shall at all times act in a manner calculated to secure that it has available to it such resources, including (without limitation) management and financial resources, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, as shall ensure that it is at all times able:
 - (a) to properly and efficiently carry on the transmission business; and
 - (b) to comply in all respects with its obligations under this licence and such obligations under the Act as apply to the transmission business including, without limitation, its duty to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.

2. Unless otherwise directed by the Authority as a condition of a consent granted pursuant to paragraph 3 of standard condition E11, the licensee shall, on the date that this condition comes into force and then by 31 July of each year, submit to the Authority a certificate, approved by a resolution of the board of directors of the licensee and signed by a director of the licensee pursuant to that resolution, in one of the following forms:
 - (a) “After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the directors of the licensee have a reasonable expectation that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business and activities authorised by the licence held in accordance with its obligations under the Act for a period of 12 months from the date of this certificate.”
 - (b) “After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution which might reasonably be expected to be declared or paid by the licensee, the directors of the licensee have a reasonable expectation, subject to what is explained below, that the licensee will have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business and activities authorised by the licence held in accordance with its obligations under the Act for a period of 12 months from the date of this certificate. However, they would like to draw attention to the following factors which may cast doubt on the ability of the licensee to carry on the transmission business.”

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- (c) “In the opinion of the directors of the licensee, the licensee will not have sufficient financial resources and financial facilities available to itself to enable the licensee to carry on the transmission business and activities authorised by the licence held in accordance with its obligations under the Act for a period of 12 months from the date of this certificate.”
3. The licensee shall submit to the Authority with that certificate:
 - (a) a statement of the main factors which the directors of the licensee have taken into account in giving the certificate, together with a confirmation of the availability of financial facilities; and
 - (b) a cashflow forecast, movement in net debt and analysis of net debt.
4. The documents submitted to the Authority in accordance with paragraph 3 shall be approved by a resolution of the board of directors of the licensee and must be signed by a director of the licensee pursuant to that resolution.
5. The licensee shall inform the Authority in writing immediately if the directors of the licensee become aware of any circumstance which causes them no longer to have the reasonable expectation expressed in the most recent certificate given under paragraph 2.
6. The licensee shall require that each certificate provided in accordance with paragraph 2 is accompanied by a report prepared by its auditors and addressed to the Authority stating whether or not the auditors are aware of any inconsistencies between, on the one hand, that certificate and the statement and cashflow forecast, and movement in net debt and analysis of net debt submitted with it and, on the other hand, any information which they obtained during their audit work on the regulatory accounts of the licensee prepared pursuant to standard condition E2 (Regulatory Accounts).
7. The directors of the licensee shall not declare or recommend a dividend, and the licensee shall not make any other form of distribution within the meaning of section 263 of the Companies Act 1985, or redeem or repurchase any share capital of the licensee (and for the purposes of sub paragraph (a) (ii) of this condition the term distribution shall include any such dividend, other distribution, redemption or repurchase) unless prior to the declaration, recommendation or making of the distribution (as the case may be) the licensee has issued to the Authority a certificate complying with the following requirements of this paragraph:
 - (a) The certificate shall be in the following form:

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“After making enquiries, the directors of the licensee are satisfied:

- (i) that the licensee is in compliance in all material respects with all obligations imposed on it by standard condition E5 (Provision of Information to the Authority), standard condition E7 (Restriction on Activity and Financial Ring Fencing), standard condition E8 (Availability of Resources), standard condition E9 (Undertaking from Ultimate Controller), standard condition E11 (Credit Rating) and standard condition E10 (Indebtedness) of its licence; and
 - (ii) that the making of a distribution of [] on [] will not, either alone or when taken together with other circumstances reasonably foreseeable at the date of this certificate, cause the licensee to be in breach to a material extent of any of those obligations in the future.”
- (b) The certificate shall be signed by a director of the licensee and must have been approved by a resolution of the board of directors of the licensee passed not more than 14 days before the date on which the declaration, recommendation or payment will be made.

Where the certificate has been issued in respect of the declaration or recommendation of a dividend, the licensee shall be under no obligation to issue a further certificate prior to payment of that dividend, provided that such payment is made within six months of the issuing of that certificate.

Condition E9: Undertaking from ultimate controller

1. The licensee shall procure from each company or other person which the licensee knows or reasonably should know is at any time an ultimate controller of the licensee a legally enforceable undertaking in favour of the licensee in the form specified by the Authority that that ultimate controller ("the covenantor") will refrain from any action, and will procure that any person (including, without limitation, a corporate body) which is subsidiary of, or is controlled, by, the covenantor (other than the licensee and its subsidiaries) will refrain from any action which would then be likely to cause the licensee to breach any of its obligations under the Act or this licence. Such undertaking shall be obtained within 7 days of the company or other person in question becoming an ultimate controller and shall remain in force for as long as the licensee remains the holder of this licence and the covenantor remains an ultimate controller of the licensee.

2. The licensee shall:

- (a) deliver to the Authority evidence (including a copy of each such undertaking) that the licensee has complied with its obligation to procure undertakings pursuant to paragraph 1;
- (b) inform the Authority immediately in writing if the directors of the licensee become aware that any such undertaking has ceased to be legally enforceable or that its terms have been breached; and
- (c) comply with any direction from the Authority to enforce any such undertaking;

and shall not, save with the consent in writing of the Authority, enter (directly or indirectly) into any agreement or arrangement with any ultimate controller of the licensee or of any of the subsidiaries of any such corporate ultimate controller (other than the subsidiaries of the licensee) at a time when,

- (i) an undertaking complying with paragraph 1 is not in place in relation to that ultimate controller, or
- (ii) there is an unremedied breach of such undertaking; or
- (iii) the licensee is in breach of the terms of any direction issued by the Authority under sub-paragraph (c).

Condition E10: Indebtedness

1. In addition to the requirements of standard condition E4 (Disposal of relevant assets), the licensee shall not without the prior written consent of the Authority (following the disclosure by the licensee of all material facts):
 - (a) create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance whatsoever, undertake any indebtedness to any other person or enter into any guarantee or any obligation otherwise than:
 - (i) on an arm's length basis;
 - (ii) on normal commercial terms;
 - (iii) for a permitted purpose; and
 - (iv) (if the transaction is within the ambit of standard condition E4 (Disposal of relevant assets) in accordance with that condition);
 - (b) transfer, lease, license or lend any sum or sums, asset, right or benefit to any affiliate or related undertaking of the licensee otherwise than by way of:
 - (i) a dividend or other distribution out of distributable reserves;
 - (ii) repayment of capital;
 - (iii) payment properly due for any goods, services or assets provided on an arm's length basis and on normal commercial terms;
 - (iv) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and made in compliance with the payment condition referred to in paragraph 2;
 - (v) repayment of or payment of interest on a loan not prohibited by sub-paragraph (a);
 - (vi) payments for group corporation tax relief or for the surrender thereof calculated on a basis not exceeding the value of the benefit received; or
 - (vii) an acquisition of shares or other investments in conformity with paragraph 2 of standard condition E7 (Restriction on Activity and Financial Ring Fencing) made on an arm's length basis and on normal commercial terms,

provided however, that the provisions of paragraph 3 below shall prevail

in any of the circumstances described or referred to therein;

- (c) enter into an agreement or incur a commitment incorporating a cross-default obligation; or
- (d) continue or permit to remain in effect any agreement or commitment incorporating a cross-default obligation subsisting on the date this condition comes into effect in the licensee's transmission licence save that the licensee may permit any cross-default obligation in existence at that date to remain in effect for a period not exceeding twelve months from that date, provided that the cross-default obligation is solely referable to an instrument relating to the provision of a loan or other financial facilities granted prior to that date and the terms on which those facilities have been made available as subsisting on that date are not varied or otherwise made more onerous;

provided however that the provisions of sub-paragraphs 1(c) and (d) shall not prevent the licensee from giving any guarantee permitted by and compliant with the requirements of sub-paragraph (a).

2. The payment condition referred to in paragraph 1(b)(iv) is that the consideration due in respect of the transaction in question is paid in full when the transaction is entered into unless either:
 - (a) the counter-party to the transaction has and maintains until payment is made in full an investment grade issuer credit rating; or
 - (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an investment grade issuer credit rating.
3. Except with the prior consent of the Authority, the licensee shall not enter into or complete any transaction of a type referred to or described in paragraph 1(b) save in accordance with paragraph 4, if:
 - (a) the licensee does not hold an investment grade issuer credit rating; or
 - (b) the Authority has not provided to consent under paragraph 2 of standard condition E11 (Credit Rating) for alternative financial arrangements proposed by the licensee; or

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- (c) where the licensee holds more than one issuer credit rating, one or more of the ratings so held is not investment grade; or
 - (d) any issuer credit rating held by the licensee is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd or Baa3 by Moody's Investors Service, Inc. (or such higher issuer credit rating as may be specified by any of these credit rating agencies from time to time as the lowest investment grade credit rating), or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of standard condition E11 (Credit Rating) and:
 - (i) is on review for possible downgrade; or
 - (ii) is on Credit Watch or Rating Watch with a negative designation;or, where neither (i) nor (ii) applies:
 - (iii) the rating outlook of the licensee as specified by any credit rating agency referred to in sub-paragraph (c) which at the relevant time has assigned the lower or lowest investment grade issuer credit rating held by the licensee has been changed from stable or positive to negative.
4. Where paragraph 3 applies, the licensee may not without the prior written consent of the Authority (following disclosure of all material facts) transfer, lease, license or lend any sum or sums, asset, right or benefit (as described or referred to in paragraph 1(b)) to any affiliate or related undertaking of the licensee, otherwise than by way of:
- (a) payment properly due for any goods, services or assets in relation to commitments entered into prior to the date on which the circumstances described in paragraph 3 arise, and which are provided on an arm's length basis and on normal commercial terms;
 - (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into;
 - (c) repayment of, or payment of interest on, a loan not prohibited by paragraph 1(a) and which was contracted prior to the date on which the circumstances in paragraph 3 arise, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; and

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- (d) payments for group corporation tax relief or the surrender thereof calculated on a basis not exceeding the value of the benefit received, provided that the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

Condition E11: Credit Rating of Licensee

1. The licensee shall use all reasonable endeavours to ensure that the licensee maintains at all times an investment grade issuer credit rating or such alternative financial arrangements to which the Authority has given its consent in writing.
2. The licensee may propose to the Authority alternative financial arrangements. Such a proposal by the licensee shall contain sufficient information to enable the Authority to consider whether the proposed alternative financial arrangements demonstrate sufficient financial standing.
3. The Authority may consent to alternative financial arrangements proposed by the licensee under paragraph 2, subject to any conditions that the Authority considers to be appropriate.

Condition E12: Security arrangements

1. The licensee shall
 - (a) in respect of its participation in transmission offshore and if so directed in directions issued by the Authority for the purposes of this condition, not later than such date as may be specified in such directions, enter into an agreement designated by the Secretary of State for the purposes of this condition relating to compliance with directions issued by the Secretary of State under section 34 and/or section 35 of the Act.
2. The licensee shall comply with and perform its obligations under any agreement which it enters into pursuant to paragraph 1(a) above.

Condition E13: System Operator – Transmission Owner Code

1. The licensee shall be a party to the STC Framework Agreement and shall comply with the STC.
2. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures applicable under or in relation to such documents), and shall not take any steps to prevent or unduly delay, changes to the core industry documents (other than the Grid Code) to which it is a party (or in relation to which it holds rights in respect of amendment), such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any amendment which has been made to the STC.
3. The licensee shall, in conjunction with the other STC parties, take all reasonable steps to secure and implement (consistently with the procedures for amendment set out in the STC and in this condition), and shall not take any steps to prevent or unduly delay, changes to the STC which are appropriate in order to give full and timely effect to or in consequence of any change which has been made to the core industry documents (other than the Grid Code).
4. The Authority may (following consultation with all affected STC parties) issue directions relieving the licensee of its obligations to implement or comply with the STC in respect of such parts of the licensee's transmission system or the GB transmission system or to such extent as may be specified in the direction.

Condition E14: Not Used

Condition E15: Obligation to provide transmission services

1. The licensee shall, in accordance with the STC, provide to the system operator the transmission services set out in paragraph 2.
2. The transmission services which the licensee shall provide in accordance with paragraph 1 shall consist of the following:
 - (a) making available those parts of the licensee's transmission system which are intended for the purposes of conveying, or affecting the flow of, electricity so that such parts are capable of doing so and are fit for those purposes;
 - (b) a means of enabling the system operator to direct the configuration of those parts of the licensee's transmission system made available to it and, consistent with such means, giving effect to any such direction from time to time; and
 - (c) a means of enabling the system operator to obtain information in relation to the licensee's transmission system which is needed by the system operator to enable it to co-ordinate and direct the flow of electricity onto and over the GB transmission system and, consistent with such means, providing such information to the system operator.

Condition E16: Transmission system security standard and quality of service

1. The licensee shall at all times plan and develop the licensee's transmission system in accordance with the GB Security and Quality of Supply Standard version [], together with the STC or such other standard of planning and operation as the Authority may approve from time to time and with which the licensee may be required to comply (following consultation (where appropriate) with any authorised electricity operator liable to be materially affected thereby) and shall, in so doing, take into account the system operator's obligations under standard condition C17 (Transmission system security standard and quality of service) to co-ordinate and direct the flow of electricity onto and over the GB transmission system.
2. The licensee shall no later than 2 months after the end of the financial year as required by the system operator, provide to the system operator all such information as may be necessary or as the system operator may reasonably require for the purpose of submitting a report to the Authority in compliance with paragraph 3 of standard condition C17 (Transmission system security standard and quality of service) of the transmission Licence.
3. *(Omitted)*
4. The Authority may (following consultation with the licensee and, where appropriate, any relevant authorised electricity operator) issue directions relieving the licensee of its obligations under paragraph 1 in respect of such parts of the licensee's transmission system and to such extent as may be specified in the directions.
5. The licensee shall give or send a copy of the documents (other than the STC) referred to in paragraph 1 (as from time to time revised) to the Authority.
6. The licensee shall (subject to paragraph 7) give or send a copy of the documents (as from time to time revised) referred to in paragraph 5 to any person requesting the same.
7. The licensee may make a charge for any copy given or sent pursuant to paragraph 6 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in a direction issued by the Authority.

Condition E17: Obligations in relation to offers for connection etc.

1. Before this condition comes into effect, the licensee shall have entered into an agreement with the system operator in accordance with the STC.
2. On notification by the system operator of receipt on or after the BETTA go-live date of an application for connection or for modification to an existing connection in accordance with paragraph 2 of standard condition C8 (Requirement to offer terms), the licensee shall (subject to paragraph 3 and paragraph 5) offer to enter into an agreement with the system operator and such offer shall make detailed provision regarding:
 - (a) the carrying out of work (if any) on the licensee's transmission system required to connect the GB transmission system to any other system for the transmission or distribution of electricity and for the obtaining of any consents necessary for such purpose;
 - (b) the carrying out of works (if any) on the licensee's transmission system in connection with the extension or reinforcement of the licensee's transmission system which is rendered (in the licensee's discretion) appropriate or necessary by reason of making the connection or modification to an existing connection to the GB transmission system and for the obtaining of any consents necessary for such purpose;
 - (c) where the system operator requests the same, the installation of meters (if any) on the licensee's transmission system required to enable the system operator to measure electricity being accepted onto the GB transmission system at the specified entry point or points or leaving such system at the specified exit point or points;
 - (d) the date by which any works required on the licensee's transmission system to facilitate access to the GB transmission system (including for this purpose any works on the licensee's transmission system to reinforce or extend the licensee's transmission system) shall be completed (time being of the essence unless otherwise agreed by the system operator);
 - (e) such costs as may be directly or indirectly incurred in carrying out the works, the extension or reinforcement of the licensee's transmission system or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any electric lines, electric plant or meters, which works are detailed in the offer;

- (f) such further terms as are or may be appropriate for the purpose of the agreement; and
- in providing such information, the licensee shall co-operate and co-ordinate its activities with other STC parties in accordance with the STC.
3. Subject to paragraph 5, the licensee shall, after receipt by the licensee of an application containing all such information as the licensee may reasonably require for the purpose of formulating the terms of the offer, offer terms in accordance with paragraph 2 above as soon as practicable and (except where the Authority consents to a longer period) in accordance with the time periods specified for this purpose in the STC.
 4. On notification by the system operator in accordance with paragraph 2 of standard condition C8 (Requirement to offer terms) of receipt by the system operator of an application for use of system, the licensee shall (subject to paragraph 4), where the system operator requests that it do so in accordance with the STC, offer to enter into an agreement with the system operator in respect of such application in the manner provided in the STC and for the purposes of making such offer shall cooperate and co-ordinate its activities with other STC parties in accordance with the STC.
 5. The licensee shall not be obliged pursuant to this condition to offer to enter into or to enter into any agreement pursuant to this condition if to do so would be likely to involve the licensee:
 - (a) in breach of its duties under section 9 of the Act;
 - (b) in breach of any regulations made under section 29 of the Act or of any other enactment relating to safety or standards applicable in respect of the transmission business; or
 - (c) in breach of the conditions,
 - (d) [incurring costs of or in excess of the incremental investment threshold for the licensee's transmission system],

and where the licensee is not obliged pursuant to this condition to offer to enter into or to enter into an agreement with the system operator, the licensee shall notify the system operator of that fact (and of the fact that it does not intend to offer to enter into or to enter into an agreement pursuant to paragraph 2 or paragraph 4) as soon as practicable in accordance with the STC.

Condition E18: Functions of the Authority

1. Insofar as the system operator wishes to proceed on the basis of a TO offer from the licensee as settled by the Authority pursuant to paragraph 2 of standard condition C9 (Functions of the Authority), the licensee shall forthwith enter into an agreement with the system operator which fully reflects the TO offer as so settled.
2. Where the Authority determines in accordance with paragraph 2(c)(ii) of standard condition C9 (Functions of the Authority) that a TO offer (other than those TO offers (if any) notified to the Authority in accordance with paragraph 2(a) of standard condition C9 (Functions of the Authority)) is required in respect of an agreement settled by the Authority pursuant to paragraph 1 of standard condition C9 (Functions of the Authority) and that other TO offer is required to be made by the licensee, the licensee shall prepare a TO offer which is consistent with such determination and shall submit such TO offer to the system operator as soon as reasonably practicable after the date of such determination and, in any event, within the time periods (if any) specified in such determination.

Condition E19: Prohibition on engaging in preferential or discriminatory behaviour

1. The licensee shall not unduly discriminate as between any persons or any class or classes of person or persons or unduly prefer itself or any affiliate or related undertaking over any other person or persons or any class or classes of person or persons:
 - (a) in meeting its obligations under standard condition E15 (Obligation to provide transmission services);
 - (b) meeting its obligations under standard condition E16 (Transmission system security standard and quality of service)
 - (c) in meeting its obligations under standard condition E17 (Obligations in relation to offers for connection etc);
 - (d) in meeting its obligations under standard condition E13 (System Operator - Transmission Owner Code).

2. On notification by the Authority, the licensee shall keep and maintain such records concerning its compliance with this condition as are in the opinion of the Authority sufficient to enable the Authority to assess whether the licensee is complying with this condition and as are specified in any such notification, and the licensee shall furnish to the Authority such records (or such of these as the Authority may require) in such manner and at such times as the Authority may require.

Condition E20: Prohibition on selling electricity

1. The purpose of this condition is to prevent abuse by the licensee of its position as owner or operator of the licensee's transmission system.
2. Except with the written consent of the Authority, the licensee shall not purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties except for the purpose of providing transmission services.
3. In paragraph 2, the reference to purchase or other acquisition of electricity shall include entering into or acquiring the benefit of a contract conferring rights or obligations (including rights or obligations by way of option) in relation to or by reference to the sale, purchase or delivery of electricity at any time or the price at which electricity is sold or purchased at any time.

Condition E21 – Offshore Transmission Owner of Last Resort

1. The licensee shall be obliged to comply with any Section E (offshore transmission owner of last resort) Direction that the Authority has issued to the licensee under paragraph 2.
2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, issue Section E (offshore transmission owner of last resort) Direction if the Authority:
 - (a) has not been able to identify an offshore transmission owner, or
 - (b) considers that a circumstance has arisen that would entitle it to revoke the electricity transmission licence of another offshore transmission owner (the “other offshore transmission owner”).
3. The Authority may only issue a Section E (offshore transmission owner of last resort) Direction to the licensee under paragraph 2, if it considers that the licensee could comply with the offshore transmission owner of last resort direction without significantly prejudicing the licensee’s ability:
 - (a) to continue the licensee’s existing activities pursuant to this licence, and
 - (b) to fulfil its existing contractual obligations under any relevant Codes.
4. The Authority may review a Section E (offshore transmission owner of last resort) Direction, at any time.
5. The Section E (offshore transmission owner of last resort) Direction will:
 - (a) have effect on and from the date specified in the Section E (offshore transmission owner of last resort) Direction;
 - (b) remain in effect until the date specified in the direction or such other time as the Authority shall revoke or vary the Section E (offshore transmission owner of last resort) Direction in writing upon reasonable notice;
 - (c) specify the relevant agreements that the licensee is required to enter into and the date by which it should offer to enter into such agreements as a condition of the Section E (offshore transmission owner of last resort) Direction, and

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- (d) [contain any other rights or obligations that the Authority considers necessary or desirable to enable the system operator to fulfil or to continue to fulfil obligations arising from agreements entered into pursuant to standard condition C8, with offshore users which would include without limitation any special conditions and property transfer arrangements that would apply to the licensee].
6. The licensee shall be obliged to offer to enter into relevant agreements within the period of time specified in the Section E (offshore transmission owner of last resort) Direction.