

## **Annex**

# **Modifications to National Grid Electricity Transmission plc Transmission Owner Special Licence Conditions**

16 June 2009

URN 09D/578 (DECC)

## Special Condition D1: Transmission Network Revenue Restriction: Definitions

1. In this special condition, and in special conditions D2 to D10 inclusive:

“average specified rate”	means the average of the daily base rates of Barclays Bank PLC current from time to time during the period in respect of which any calculation falls to be made.
“base transmission revenue”	means the revenue allowances calculated in accordance with paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue).
<u>“embedded transmission system”</u>	<u>means a transmission system consisting of plant and equipment that includes relevant offshore lines which forms part of the national electricity transmission system by utilising a connection to an electricity distribution system.</u>
“excluded services”	means those services provided by the licensee as part of its transmission business which in accordance with the principles set out in Special Condition D10 (Excluded Services) fall to be treated as excluded services.
“interruption”	shall, for the purposes of paragraphs 7 and 8 of special condition D4 (Pass Through Items), have the same meaning as set out in section 11 of the Connection and Use of System Code provided for in paragraph 2 of

standard condition C10 (Connection and Use of System Code (CUSC)).

“interruption payment”

shall, for the purposes of paragraphs 7 and 8 of special condition D4 (Pass Through Items), have the same meaning as set out in section 11 of the Connection and Use of System Code provided for in paragraph 2 of standard condition C10 (Connection and Use of System Code (CUSC)).

“logged up costs”

means:

- (a) for the purposes of paragraphs 2 and 3 of special condition D2 (Restriction on Transmission Network Revenue), the capital expenditure and operating expenditure costs incurred by the licensee in respect of those items referred to in those paragraphs; and
- (b) for the purposes of paragraphs 3 and 11 of special condition D9 (Capital Expenditure Incentive and Safety Net), the capital expenditure incurred by the licensee in respect of those items referred to in those paragraphs.

“maximum revenue”

means the revenue calculated in accordance with the formula in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue).

“non-domestic rates”

means non-domestic rates payable by the licensee in respect of hereditaments (other than excepted hereditaments being a hereditament consisting of or comprising premises used wholly or mainly:

- (a) as a shop or other place for the sale, display or demonstration of apparatus or accessories for use by consumers of electricity (any use for receipts of payments for the use of electricity being disregarded);
- (b) as office premises of the licensee where those premises are not situated on operational land of the licensee; or
- (c) for both of the foregoing purposes (for the avoidance of doubt, office premises and operational land shall have the meaning ascribed to those terms in SI 2000/525 Central Ratings List (England) Regulations)) wholly or mainly used for the purposes of the transformation or transmission of electrical power, or for ancillary purposes.

“offshore transmission owner”

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 Section E (offshore transmission owner standard conditions) Direction or to any subsequent variation of its terms to which the licensee may be subject).

“relevant year”	means a financial year commencing on or after 1 April 1990.
“relevant year t”	means that relevant year for the purposes of which any calculation falls to be made;
“relevant year t-1”	means the relevant year preceding relevant year t, and similar expressions shall be construed accordingly.
“remote transmission asset rentals”	means any rent or other periodic payment receivable by the licensee from an authorised electricity operator under an agreement relating to remote transmission assets.
“TIRG relevant year”	<p>means, in relation to each transmission investment project i specified in Annex A of special condition D3 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation), the relevant year in which a revenue allowance falls to be made under special condition D3 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation) with respect to that transmission investment project i, where:</p> <p>(a) <math>t=p</math> means the relevant year commencing 1 April 2005;</p> <p>(b) <math>t=p</math> to <math>t=-1</math> means the preconstruction period (where <math>p \leq -1</math>);</p>

- (c)  $t=0$  means the relevant year in which construction of that transmission investment project  $i$  commences;
- (d)  $t=0$  to  $t=n$  means the construction period;
- (e)  $t=n$  means the relevant year in which that transmission investment project  $i$  is commissioned;
- (f)  $t=n+1$  means the relevant year in year 1 post commissioning period for that transmission investment project  $i$  and similar expressions shall be construed accordingly.

“transmission network revenue”

means the aggregate of revenue in the relevant year derived by the licensee from the provision of transmission network services and from remote transmission asset rentals.

“transmission network revenue restriction”

means special condition D2 (Restriction on Transmission Network Revenue), and such parts of special conditions D3 to D10 inclusive as are ancillary thereto, all as from time to time modified or replaced in accordance therewith or pursuant to sections 11, 14 or 15 of the Act.

“transmission network services”

shall have the same meaning as set out in standard condition C1 (Interpretation of Section C) (and for the avoidance of doubt shall not include excluded services or balancing services activity).

“user maintenance”

means maintenance by a user of connections in operation before the grant of this licence.

2. In this special condition and in special conditions D2 to D10 inclusive, all revenue shall be measured on an accruals basis, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived.
3. Any term used in the formulae appearing in special conditions D2 to D10 inclusive, and defined for the purposes of those formulae shall have the same meaning if used in any other formulae in those other special conditions.
4. In this special condition and in special conditions D2 to D10, any cost, charge, payment or amount may either be positive or negative.

## Special Condition D4: Pass Through Items

1. For the purposes of paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue), in each relevant year  $t$ ,  $PT_t$  shall be derived in accordance with the following formula:

$$PT_t = TSP_t + TSH_t + TOFTO_t + OFET_t + LF_t + RB_t - TSR_t + ITC_t + Term_t + TPD_t$$

where:

$TSP_t$  means the amount specified to the licensee by SP Transmission Ltd or any successor company in relation to relevant year  $t$  pursuant to its transmission licence;

$TSH_t$  means the amount specified to the licensee by Scottish Hydro-Electric Transmission Ltd or any successor company in relation to relevant year  $t$  pursuant to its transmission licence;

$TOFTO_t$  means the total of the revenue amounts specified to the licensee by those offshore transmission owners in relation to the relevant year  $t$  pursuant to their transmission licences;

$OFET_t$  means an amount equal to the payments made in aggregate by the licensee to electricity distributors with respect to charges for use of the electricity distribution systems by offshore generating stations connected to those systems via embedded transmission systems.

$LF_t$  means the revenue adjustment term, whether of a positive or of a negative value, calculated in the relevant year  $t$  in respect of licence fee payments as derived from the formula set out in paragraph 2;



$RB_t$  means the revenue adjustment term, whether of a positive or of a negative value, calculated in the relevant year t in respect of non-domestic rates as derived from the formula set out in paragraph 3;

$TSR_t$  means the revenue adjustment term, whether of a positive or of a negative value, calculated in the relevant year t in respect of revenue earned by the licensee for tower space rental as derived from the formula set out in paragraph 6;

$ITC_t$  shall take the value zero unless otherwise determined by the Authority in the event of the participation by Great Britain in a European Union inter-TSO compensation scheme, and following consultation with other interested parties;

$Term_t$  means an amount equal to the income received by the licensee in the relevant year t in respect of users who terminate relevant bilateral agreements for connection and /or access rights to the [GB-national electricity](#) transmission system prior to commencing use of the [GB-national electricity](#) transmission system (for the avoidance of doubt, net of any amounts that are treated as capital contributions); and

$TPD_t$  means the temporary physical disconnection term and shall be determined in accordance with paragraphs 7 to 8.

**Formula for the Licence Fee Revenue Adjustment**

2. For the purposes of paragraph 1,  $LF_t$  shall be calculated in accordance with the following formula:

$$LF_t = (LP_t - LA_t) + \left( L_t \times \left( 1 + \frac{I_t}{100} \right) \right)$$

where:

$LP_t$  means an amount equal to the payments made by the licensee, in respect of relevant year  $t$ , in accordance with its obligations set out in standard licence condition A4 (Payments to the Authority) (being for the avoidance of doubt, in pounds sterling in money of the day);

$LA_t$  is derived from the following formula:

$$LA_t = PF_t \times PIT_t$$

where:

$PF_t$  is the amount of the licence fee payments allowance for the relevant year  $t$  (in 2004/05 prices) as set out:

Relevant year $t$ commencing on 1 April	2007	2008	2009	2010	2011
$PF_t$	£8,600,000	£8,400,000	£8,200,000	£8,000,000	£8,100,000

$PIT_t$  shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue);

$L_t$  shall, in respect of the relevant year commencing 1 April 2007, be calculated as the difference between the actual licence fee payable by the licensee in the relevant year commencing 1 April 2006 pursuant to standard condition A4 (Payments to the Authority) (being, for the avoidance of doubt, in pounds sterling in money of the day) and the estimate made in respect of that relevant year of £13,200,000. In the relevant year commencing 1 April 2008 and each subsequent relevant year  $L_t$  shall take the value zero; and

$I_t$  means the average specified rate as defined in special condition D1 (Definitions).

**Formula for the Non-domestic rates Revenue Adjustment**

3. For the purposes of paragraph 1, subject to paragraph 4 below,  $RB_t$  is an amount calculated in accordance with the following formula:

$$RB_t = (RP_t - RA_t) + \left( Rate_t \times \left( 1 + \frac{I_t}{100} \right) \right)$$

where:

$RP_t$  is the amount payable by the licensee, in respect of the relevant year  $t$ , in respect of non-domestic rates;

$RA_t$  is the non-domestic rates allowance, and is derived from the following formula:

$$RA_t = RV_t \times PIT_t$$

where:

$RV_t$  is the non-domestic rates allowance in 2004/05 prices, and shall take the value set out in the table below:

Relevant year t commencing on 1 April	2007	2008	2009	2010	2011
$RV_t$	£93,000,000	£93,000,000	£93,000,000	£93,000,000	£93,000,000

$PIT_t$  shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue);

$Rate_t$  shall, in respect of the relevant year commencing 1 April 2007, be calculated as the difference between the non-domestic rates payable by the licensee in respect of the relevant year commencing 1 April 2006 (being for the avoidance of doubt, in pounds sterling in money of the day) and the estimate made in respect of that relevant year of £94,900,000. In the relevant year commencing 1 April 2008 and each subsequent relevant year  $Rate_t$  shall take the value zero; and

$I_t$  means the average specified rate as defined in special condition D1 (Definitions).

4. From the relevant year commencing 1 April 2010,  $RB_t$  shall take the value zero, unless otherwise directed by the Authority on or before 31 March 2010.

5. For the purposes of paragraph 4 of this condition, the Authority may direct that, in respect of the relevant year commencing 1 April 2010 and each subsequent relevant year,  $RB_t$  be calculated in accordance with the formula set out in paragraph 3 of this condition where the Authority is satisfied that the licensee has used reasonable endeavours to minimise the amount payable for those years in respect of non-domestic rates.

**Formula for the tower space rental revenue adjustment**

6. For the purposes of paragraph 1,  $TSR_t$  is an amount calculated in accordance with the following formula:

$$TSR_t = 0.5 \times TSRR_{t-2}$$

where:

$TSRR_{t-2}$  means the revenue received in relevant year t-2 by the licensee from any company in respect of fees for permitting mobile telephony equipment to be installed on the licensee's electricity transmission towers.

**Formula for the Temporary Physical Disconnection Term**

7. For the purposes of paragraph 1,  $TPD_t$ , for the relevant year t commencing 1 April 2007, is an amount equal to the interruption payments made by the licensee in relation to interruption(s) in its transmission area in respect of the period commencing on 1 April 2004 and ending on 31 March 2007 where any payments made by the licensee prior to relevant year t commencing 1 April 2007 shall be adjusted for 'financing costs' and shall be derived from the following formula:

$$TPD_t = \left[ \sum_m TPD_m \times TPDMult_m \right] \times PIT_t$$

where:

m means the relevant year m such that the first relevant year shall be the year commencing on 1 April 2004 and the third relevant year shall be the year commencing 1 April 2006;

TPD<sub>m</sub> means the interruption payments in 2004/05 prices in the relevant year m;

PIT<sub>t</sub> shall, for the relevant year t, take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue);

TPDMult<sub>m</sub> is the adjustment factor for financing costs set out in the table below and which is calculated using the formula below:

$$TPDMult_m = (1.0625)^p$$

Where

p is the number of years between the relevant year t and the relevant year m, and

TPDMult<sub>m</sub> shall take the number set out in the table below:

Relevant year m in which interruption occurs	2004/05	2005/06	2006/07
TPDMult <sub>m</sub>	1.199463	1.128906	1.0625

8. For the relevant year  $t$  commencing 1 April 2008, and each subsequent relevant year  $t$ ,  $TPD_t$  shall be an amount equal to the interruption payments made by the licensee in relation to interruption(s) in its transmission area within each respective relevant year  $t-1$ , and shall be adjusted by financing costs at the rate of 6.25 per cent per annum.

## Special Condition B: Activities restrictions

1. Subject to the provisions of paragraph 2 below (which are made in accordance with section 7(2A)(a) of the Act), the licensee is authorised by paragraph 1 of Part I (Terms of the Licence) of this licence to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given.

2. The licensee shall not, outside its transmission area, obtain or obtain access to any assets comprising part of the GB-national electricity transmission system which are intended for the purpose of conveying electricity except:

(a) from another transmission licensee; or

(a)(b) where the Authority has issued a direction to the licensee pursuant to paragraph 2 of standard condition B18 (Offshore Transmission Owner of Last Resort) insofar as it relates to the transmission system specified in that direction.



## Schedule 1 - Specified Area

Great Britain, [the territorial sea adjacent to Great Britain and in any Renewable Energy Zone.](#)

[where:](#)

[Renewable Energy Zone](#) means an area designated [\[by Order in Council\] under section 84\(4\) of the Energy Act 2004.](#)

## Special Condition D2: Restriction on Transmission Network Revenue

### *Transmission Network Revenue Restriction*

1. The licensee shall use its best endeavours to ensure that in any relevant year transmission network revenue shall not exceed the maximum revenue which shall be calculated in accordance with the formula given in paragraph 2 below.

### *Formula for Transmission Network Revenue Restriction*

2. In respect of the relevant year commencing 1 April 2007 and each subsequent relevant year t, maximum revenue shall be calculated in accordance with the following formula:

$$TO_t = PR_t + TIRG_t + PT_t + IP_t + CxIncRA_t + IE_t + DIS_t + ER_t + LC_t + TS_t - K_t$$

where:

$TO_t$  means maximum revenue in the relevant year t;

$PR_t$  means base transmission revenue, which shall, in respect of the relevant year commencing 1 April 2007, be calculated as:

$$PR_t = RBT \times PIT_t$$

where:

RBT shall take the value £987,300,000 (being in 2004/05 prices); and

$PIT_t$  is the price index adjustment for the relevant year t, and in the relevant year commencing 1 April 2004 shall take the value of 1 and in each subsequent relevant year shall be derived from the following formula:

$$PIT_t = \left[ 1 + \frac{RPI_t}{100} \right] \times PIT_{t-1};$$

and, in the relevant year commencing 1 April 2008 and each subsequent relevant year,  $PR_t$  shall be calculated in accordance with the following formula:

$$PR_t = PR_{t-1} \times \left( 1 + \frac{RPI_t + X}{100} \right)$$

where:

$PR_{t-1}$  means base transmission revenue in relevant year t-1 and shall be calculated in the same manner as  $PR_t$  save that references to the relevant year t shall be replaced by references to the relevant year t-1, and any other references shall be construed accordingly;

$RPI_t$  means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months from May to October (both inclusive) in relevant year t-1 and that is published or determined with respect to the same months in relevant year t-2; and

X shall take the value two;

$TIRG_t$  means, for each TIRG relevant year t, the aggregate of the annual revenue allowances for each transmission investment project specified in annex A to special condition D3 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation) and shall be calculated in accordance with that special condition;

$PT_t$  means the revenue adjustment term, whether of a positive or of a negative value, made in the relevant year t in respect of allowed pass through items as derived in accordance with special condition D4 (Pass Through Items);

$IP_t$  means incentive revenue adjustment term, whether of a positive or of a negative value, calculated for the relevant year t in accordance with special condition D5 (Incentive Payments);

$CxIncRA_t$  means the capital expenditure incentive revenue adjustment term, whether of a positive or of a negative value, made in the relevant year commencing 1 April 2012 in respect of the application of the capital expenditure incentive regime as calculated in accordance with special condition D9 (Capital Expenditure Incentive and Safety Net). For each relevant year prior to the relevant year commencing 1 April 2012 and for each relevant year after the

relevant year commencing 1 April 2012 the term  $CxIncRA_t$  shall take the value zero;

$IE_t$  means the allowance made in respect of the relevant year  $t$  representing the estimated costs incurred by the licensee in the relevant year in association with the issuance of new equity and shall take the value set out in the table below:

	2007	2008	2009	2010	2011
National grid Electricity Transmission PLC	Nil	Nil	Nil	Nil	Nil
Scottish Hydro-Electric Transmission Ltd	Nil	Nil	£3,250,000	£2,625,000	Nil
SP Transmission Ltd	Nil	Nil	Nil	£2,500,000	Nil

$DIS_t$  means the difference (whether of a positive or negative value) between:

- (a) the total amount charged to the licensee in relevant year  $t-1$  by Scottish Hydro-Electric Transmission Ltd and SP Transmission plc in respect of Site-Specific Charges (as such charges are defined in Schedule Ten of the STC); and
- (b) the total income recovered by the licensee in respect of excluded services in relevant year  $t-1$  from customers in the respective transmission areas of each of Scottish Hydro-Electric Transmission Ltd and SP Transmission plc.

$ER_t$  means the price control extension reconciliation revenue adjustment term, which in the relevant year commencing 1 April 2007 shall be calculated in accordance with the following formula:

$$ER_t = RER_t \times PIT_t$$

where:

$RER_t$  means the allowance in respect of the revenue reconciliation adjustment and shall take the value £700,000 (in 2004/05 prices); and

$PIT_t$  shall take the same meaning as set out in the definition of the term  $PR_t$  above.

In respect of the relevant year commencing 1 April 2008 and each subsequent relevant year  $t$ ,  $ER_t$  shall take the value zero;

$LC_t$  means the revenue adjustment term, whether of a positive or of a zero value, made in the relevant year commencing 1 April 2012 in respect of the full recovery of efficiently incurred logged up costs (adjusted for financing costs) as specified in paragraph 3 of this condition. For each relevant year prior to the relevant year commencing 1 April 2012 and for each relevant year after the relevant year commencing 1 April 2012  $LC_t$  shall take the value zero;

$TS_t$  means the difference, whether of a positive or of a negative value, between:

- (a) the total amount charged to the licensee in relevant year  $t-1$  by Scottish Hydro-Electric Transmission Ltd, ~~and~~ SP Transmission plc and offshore transmission owners, in respect of transmission owner final sums (as such charges are defined in schedule nine of the STC); and
- (b) an amount equal to the income received by the licensee in the relevant year  $t-1$  in respect of users who terminate relevant bilateral agreements for connection and/or access rights to the ~~GB-national electricity~~ transmission system in the respective transmission areas of each of Scottish Hydro-Electric Transmission Ltd, ~~and~~ SP Transmission plc, and any offshore transmission owner prior to commencing use of the ~~GB-national electricity~~ transmission system (for the avoidance of doubt, including any amounts that are treated as capital contributions);

$K_t$  means the revenue restriction correction term, whether of a positive or of a negative value, which is calculated in accordance with the formula below:

$$K_t = (AR_{t-1} - TO_{t-1}) \times \left[ 1 + \frac{(I_t + PI_t)}{100} \right]$$

where:

$AR_{t-1}$  means, subject to paragraph 3 of special condition D6 (Adjustments to Transmission Network Revenue), transmission network revenue, in respect of the relevant year t-1 provided that in calculating  $AR_{t-1}$  for the purpose of  $K_t$  no account shall be taken of any positive or negative revenue in respect of the provision of transmission network services in any relevant year preceding t-1 other than such revenue as it is in the reasonable opinion of the Authority reasonable and appropriate to take into account;

$TO_{t-1}$  means the maximum revenue in the relevant year t-1 except in the relevant year commencing 1<sup>st</sup> April 2007 where it shall be the maximum revenue ( $M_t$ ) for the relevant year commencing 1 April 2006 as defined by Part 1 of special condition AA5A (Revised Restriction on Revenue) in the licence in force on 31 March 2007;

$I_t$  means the average specified rate as defined in special condition D1 (Definitions); and

$PI_t$  means the penalty interest rate in relevant year t which is equal to, where  $(AR_{t-1} - TO_{t-1})$  has a positive value and transmission network revenue in relevant year t-1 exceeds the maximum revenue in relevant year t-1 by more than 2.75 per cent, the value four, otherwise is equal to the value zero.

3. For the purposes of paragraph 2,  $LC_t$  shall comprise the capital expenditure and operating expenditure costs incurred in the period 1 April 2007 to 31 March 2012, and reported to the Authority in accordance with standard condition B15 (Price Control Review Information), by the licensee against the following cost categories:
  - (a) underground cable tunnels up to a cap of £60,000,000 (in 2004/05 values);
  - (b) upgrading of operational telecommunication systems resulting from the introduction of BT's 21<sup>st</sup> Century Networks programme;

subject to the licensee satisfying the Authority that such costs have been efficiently incurred.

## Special Condition D9: Capital Expenditure Incentive and Safety Net

1. The purpose of this condition is to set out how the Capital Expenditure Incentive and Safety Net, as described in the Transmission Price Control Review Final Proposals document of December 2006 (Reference number: 206/06), will operate.

### Part 1: Capital Expenditure Incentive Revenue Adjustment

2. For the purposes of paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue) the capital expenditure incentive revenue adjustment  $CxIncRA_t$  shall in each relevant year  $t$  take the value of zero, except for the relevant year commencing on 1 April 2012 in which  $CxIncRA_t$  shall be calculated in accordance with the following formula:

$$CxIncRA_t = \left( \sum_n [CIR_n \times PVF_n \times (LV_n + NTP_n)] \times PIT_t \right) + \left( \sum_n [(CIR_n - 0.25) \times PVF_n \times (IncDif_n - LV_n)] \times PIT_t \right)$$

where:

$n$  means the relevant year  $n$  such that the first relevant year  $n$  shall be the year commencing on 1 April 2007 and accordingly the fifth relevant year  $n$  is the year commencing on 1 April 2011;

$CIR_n$  means the capital expenditure incentive sharing factor, representing the proportion of the licensee's exposure to under or overspend against the capital expenditure allowance for the relevant year  $n$  that would be borne by the licensee during the revenue restriction period if no adjustment were to be made to the licensee's revenue in accordance with this condition and shall take the value set out in the table below:

Relevant year commencing 1 April:	2007	2008	2009	2010	2011
$CIR_n$	0.3981	0.3184	0.2312	0.1357	0.0313

$PVF_n$  means the present value adjustment factor in respect of the relevant year  $n$  and shall take the value set out in the table below:



Relevant year commencing 1 April:	2007	2008	2009	2010	2011
PVF <sub>n</sub>	1.35408	1.27443	1.19946	1.12891	1.06250

IncDif<sub>n</sub> represents the difference, expressed in 2004/05 prices, between the adjusted efficient capital expenditure and the base capital expenditure allowance in respect of the relevant year n and shall be calculated in accordance with the following formula:

$$IncDif_n = \left( \frac{ACx_n}{PIT_n} \right) - BCx_n$$

where:

ACx<sub>n</sub> is the adjusted efficient capital expenditure incurred by the licensee in respect of the relevant year n and shall be calculated in accordance with paragraph 3 of this condition;

PIT<sub>n</sub> shall take the value of PIT<sub>t</sub> for relevant year t=n, where PIT<sub>t</sub> shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue);

BCx<sub>n</sub> means, subject to Part 2 (Capital Expenditure Safety Net) of this condition, the base capital expenditure allowance, expressed in 2004/05 prices, in respect of the relevant year n and shall take the value set out in the table below:

Relevant year commencing 1 April:	2007	2008	2009	2010	2011
BCx <sub>n</sub>	£521,200,000	£501,000,000	£545,400,000	£613,600,000	£636,600,000

LV<sub>n</sub> means, in respect of the relevant year n, the adjustment to the capital expenditure allowance, in 2004/05 prices, arising from:

- (a) the volume of zonal additional generation entry capacity;
- (b) the volume of zonal surplus (or deficit); or

(c) the amount of transfer capacity between Scotland and England,

differing from the deemed baseline or base scenario values used for the purposes of deriving the term BCx<sub>n</sub> set out in this paragraph and shall be calculated in accordance with paragraph 6 of this condition;

NTP<sub>n</sub> means the capital shortfall in relation to capital expenditure efficiently incurred in respect of the relevant year n, in 2004/05 prices, for the purpose of facilitating the connection and/or access rights of users where the users terminate relevant bilateral agreements prior to commencing use of the [GB-national electricity](#) transmission system, which shall be calculated in accordance with the following:

$$NTP_n = \frac{(TP_n - TPR_n)}{PIT_n}$$

where:

TP<sub>n</sub> means the capital expenditure efficiently incurred by the licensee in respect of the relevant year n for the purpose of facilitating the connection and/or access rights of users where the users terminate relevant bilateral agreements prior to commencing use of the [GB-national electricity](#) transmission system and as reported to the Authority pursuant to standard condition B15 (Price Control Review Information);

TPR<sub>n</sub> means an amount equal to the termination receipts received, in the form of revenues or capital contributions, in respect of TP<sub>n</sub> in the relevant year n;

PIT<sub>n</sub> shall take the value of PIT<sub>t</sub> for relevant year t=n, where PIT<sub>t</sub> shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue); and

PIT<sub>t</sub> shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue).

3. For the purposes of paragraph 2,  $ACx_n$  shall be calculated in accordance with the following formula:

$$ACx_n = Cx_n - ESCx_n - LCx_n - TP_n - DCx_n$$

where:

$Cx_n$  means the capital expenditure, expressed net of pensions contributions incurred by the licensee in the relevant year n, as reported to the Authority pursuant to standard condition B15 (Price Control Review Information). Such capital expenditure shall not include capital expenditure incurred by the licensee in the relevant year n in respect of the transmission investment projects identified in Annex A of special condition D3 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation);

$ESCx_n$  means that amount of load related capital expenditure incurred by the licensee in the provision of excluded services as set out in special condition D10 (Excluded Services) in the relevant year n in its transmission area less any contributions to the capital cost of that expenditure made by or on behalf of the persons to whom such excluded services are provided and as reported to the Authority pursuant to standard condition B15 (Price Control Review Information);

$LCx_n$  means that amount of capital expenditure incurred by the licensee in respect of the relevant year n that falls to be treated as logged up capital expenditure as specified in paragraph 11 to this condition and as reported to the Authority pursuant to standard condition B15 (Price Control Review Information);

$TP_n$  shall take the same meaning as given in paragraph 2 of this condition; and

$DCx_n$  means that amount of capital expenditure incurred by the licensee in respect of the relevant year n in respect of which the Authority has issued a direction on or before 31 March 2012 in respect of the relevant years from 1 April 2007 to 31 March 2011, and on or

before 31 March 2017 in respect of the relevant year commencing 1 April 2011, that such expenditure is deemed inefficient in accordance with paragraphs 4 and 5 of this condition. It shall take the value zero unless the Authority directs otherwise.

4. For the purposes of paragraph 3, before issuing a direction that certain capital expenditure is deemed inefficient the Authority shall issue a notice to the licensee specifying:
  - (a) the capital expenditure that the Authority proposes to deem inefficient;
  - (b) the reasons why the Authority considers that the capital expenditure referred to in subparagraph (a) is inefficient; and
  - (c) the date, being of no less than 28 days from the date of the notice, by which the licensee may make representations to the Authority in respect of the notice.
5. The Authority shall have regard to any representations made by the licensee in response to the notice referred to in paragraph 4 before making any direction in respect of paragraph 3.
6. For the purposes of paragraph 2,  $LV_n$  shall be calculated in accordance with the following formula:

$$LV_n = LVGC_n + LVZS_n + LVZD_n + LVST_n + LVWIP_n$$

where:

$LVGC_n$  means the adjustment in the capital expenditure allowance in respect of the relevant year n relative to the base capital expenditure allowance ( $BCx_n$ ) to reflect requirements for local reinforcement works associated with the connection of additional generation entry capacity, and shall be calculated in accordance with paragraph 7 of this condition;

$LVZS_n$  means the adjustment in the capital expenditure allowance in respect of the relevant year n relative to the base capital expenditure allowance ( $BCx_n$ ) to reflect the need to accommodate zonal surpluses of generation capacity, and shall be calculated in accordance with paragraph 8 of this condition;

$LVZD_n$  means the adjustment in the capital expenditure allowance in respect of the relevant year n relative to the base capital

expenditure allowance ( $BC_{x_n}$ ) to reflect the need to accommodate zonal deficits of generation capacity, and shall be calculated in accordance with paragraph 9 of this condition;

$LVST_n$  means the adjustment in the capital expenditure allowance in respect of the relevant year  $n$  relative to the base capital expenditure allowance ( $BC_{x_n}$ ) to reflect the need to accommodate additional transfers from Scotland to England, and shall be calculated in accordance with paragraph 10 of this condition; and

$LVWIP_n$  means the adjustment in the capital expenditure allowance in relevant year  $n$  relative to the base capital expenditure allowance ( $BC_{x_n}$ ) in respect of works carried out by the licensee which would otherwise be included within  $LVGC_n$ ,  $LVZS_n$ ,  $LVZD_n$ , and  $LVST_n$  had the relevant change in volume been provided (“work in progress”) and shall take the value zero unless the Authority directs that this adjustment shall have a positive value to reflect such work in progress.

7. For the purposes of paragraph 6,  $LVGC_n$  shall be calculated in accordance with the following formula:

$$LVGC_n = \sum_{all\ j} [UCAGC_j \times (AVGC_{j,n} - AVGC_{j,n-1})]$$

where:

$UCAGC_j$  means the unit cost allowance in respect of local reinforcement works associated with the connection of additional generation capacity in zone  $j$  and shall take the values specified in Table 5 of Annex B to this condition;

$j$  means the revenue driver zones identified in Annex A to this condition;

$AVGC_{j,n}$  means the generation entry capacity adjustment volume for zone  $j$  in the relevant year  $n$  and shall be calculated using the following formula:

$$AVGC_{j,n} = GC_{j,n} - BGC_{j,n}$$

where:

$GC_{j,n}$  means the sum for zone j of all increments to individual relevant generation entry capacities (in MW) and shall be calculated using the following formula:

$$GC_{j,n} = \sum_{\text{all } k} [Max((GN_{k,n} - BGN_k), 0)]$$

where:

$GN_{k,n}$  means maximum of the individual relevant generation entry capacities in any relevant year from the relevant year commencing 1 April 2007 up to and including relevant year n for an individual power station k in zone j for which access charges were levied in any relevant year from the relevant year commencing 1 April 2007 up to and including relevant year n. The relevant generation entry capacity for an individual power station shall be the largest holding or (if greater than the holding) use of entry capacity rights (through any combination of firm access products) held or used by an individual power station for a total period not less than 5 days during the relevant year n;

$BGN_k$  means the individual relevant generation entry capacities which were delivered and subject to access charges at any point in the relevant year commencing 1 April 2006;

k means each individual power station in zone j;

$BGC_{j,n}$  means the baseline generation entry capacity for zone j in the relevant year n and shall take the values in Table 1 of Annex B to this condition; and

$AVGC_{j,n-1}$  means the generation entry capacity adjustment volume for zone j in the relevant year n-1 and shall be derived as follows:

- (a) in the relevant year commencing 1 April 2007, shall have the value zero; and
- (b) in each subsequent relevant year  $AVGC_{j,n-1}$  shall be calculated in the same manner as  $AVGC_{j,n}$  save that

references to the relevant year n shall be replaced by references to the relevant year n-1.

8. For the purposes of paragraph 6,  $LVZS_n$  shall be calculated in accordance with the following formula:

$$LVZS_n = \sum_{\text{all } j} \left[ (UCAZS_j) \times (AVZS_{j,n} - AVZS_{j,n-1}) \right]$$

where:

$UCAZS_j$  means the unit cost allowance reflecting the need to accommodate zonal surpluses of generation capacity and shall take the values specified in Table 5 of Annex B to this condition;

$j$  means the revenue driver zones identified in Annex A to this condition;

$AVZS_{j,n}$  means the zonal surplus adjustment volume for zone  $j$  in the relevant year  $n$  and shall be calculated using the following formula:

$$AVZS_{j,n} = \left[ \max(ZS_{j,n}, LZS_j) - \max(BZS_{j,n}, LZS_j) \right]$$

where

$LZS_j$  means the baseline zonal surplus for zone  $j$  and shall take the values in Table 2 of Annex B to this condition for all relevant years  $n$ ;

$BZS_{j,n}$  means the base scenario zonal surplus output in MW for zone  $j$  in the relevant year  $n$  and shall take the values specified in Table 2 of Annex B to this condition; and

$ZS_{j,n}$  means the zonal surplus in MW for zone  $j$  in the relevant year  $n$  and shall be calculated in accordance with the following formula:

$$ZS_{j,n} = ZGen_{j,n} + ZClos_{j,n} - ZDem_j,$$

where:

ZGen<sub>j,n</sub> means the sum across all users connected in zone j of all long-term generation entry capacity products in MW for which charges were levied in the relevant year n including TEC and such other products that imply a user commitment of not less than one year;

ZClos<sub>j,n</sub> means the sum across all users connected in zone j of all individual reductions in generation entry capacities in MW for which access charges were paid in the relevant year n-1 but not in the relevant year n (for the avoidance of doubt this number can take a zero or positive value); and

ZDem<sub>j,n</sub> means the user demand at national peak in zone j in the relevant year n, which is calculated using the following formula:

$$ZDem_{j,n} = FDem_{j,n} \times \left( \frac{ODem_{j,n-1}}{FDem_{j,n-1}} \right)$$

where:

FDem<sub>j,n</sub> means the sum for zone j of all Grid Supply Point demand nominations in MW for time of national peak demand made in relevant year n-1 for relevant year n;

FDem<sub>j,n-1</sub> means the sum for zone j of all Grid Supply Point demand nominations in MW for time of national peak demand made in relevant year n-1 for relevant year n-1; and

ODem<sub>j,n-1</sub> means the sum for zone j of all Grid Supply Point demands in MW at time of national peak demand in relevant year n-1; and

AVZS<sub>j,n-1</sub> means the zonal surplus adjustment volume for zone j in the relevant year n-1 and shall be derived as follows:

- (a) in the relevant year commencing 1 April 2007, shall have a value equal to zero; and
- (b) in each subsequent year, AVZS<sub>j,n-1</sub> shall be calculated in the same manner as AVZS<sub>j,n</sub> save that references to the relevant year n shall be replaced by references to the relevant year n-



1 and references to the year n-1 shall be replaced by references to the relevant year n-2.

9. For the purposes of paragraph 6,  $LVZD_n$  shall be calculated in accordance with the following formula:

$$LVZD_n = \sum_{\text{all } j} \left[ (UCAZD_j) \times (AVZD_{j,n} - AVZD_{j,n-1}) \right]$$

where:

$UCAZD_j$  means the unit capital expenditure cost allowance in 2004/05 prices for the infrastructure required to accommodate the zonal deficit for zone j, and shall take the values specified in Table 5 of Annex B of this condition;

j means the revenue driver zones identified in Annex A to this condition;

$AVZD_{j,n}$  means the zonal deficit adjustment volume for zone j in the relevant year n and shall be calculated as follows:

$$AVZD_{j,n} = \left[ \max(ZD_{j,n}, LZD_j) - \max(BZD_{j,n}, LZD_j) \right]$$

where:

$LZD_j$  means the baseline zonal deficit in MW for zone j, as specified in Table 3 of Annex B to this condition;

$BZD_{j,n}$  means the base scenario zonal deficit output in MW to be accommodated in zone j in the relevant year n, and shall take the values specified in Table 3 of Annex B to this condition;

$ZD_{j,n}$  means the zonal deficit in MW for zone j which is specified using the following formula:

$$ZD_{j,n} = ZDem_{j,n} - ZGen_{j,n}$$

where:

$ZDem_{j,n}$  shall have the same meaning as given in paragraph 8 of this condition;

ZGen<sub>j,n</sub> shall have the same meaning as given in paragraph 8 of this condition; and

AVZD<sub>j,n-1</sub> means the zonal deficit adjustment volume for zone j in the relevant year n-1 and shall be derived as follows:

(a) in the relevant year commencing on 1 April 2007, shall have a value equal to zero; and

(b) in each subsequent year, AVZD<sub>j,n-1</sub> shall be calculated in the same manner as AVZD<sub>j,n</sub> save that references to the relevant year n shall be replaced by references to the relevant year n-1 and references to the relevant year n-1 shall be replaced by references to the relevant year n-2.

10. For the purposes of paragraph 6, LVST<sub>n</sub>, shall be calculated in accordance with the following formula:

$$LVST_n = [(UCAST) \times (AVST_n - AVST_{n-1})]$$

where:

UCAST means the unit capital expenditure cost allowance in 2004/05 values for reinforcements associated with accommodating higher transfers from Scotland to England, and shall take the value £320,700 per MW;

AVST<sub>n</sub> means the adjustment volume of delivered long-term output capacity in MW of the network between Scotland and England in the relevant year n and shall be calculated in accordance with the following formula:

$$AVST_n = ST_n - BST_n$$

where:

ST<sub>n</sub> means the delivered long-term output capacity in MW of the network between Scotland and England in relevant year n. Delivery of long-term capacity across this portion of the network shall be assessed on the basis of the availability of secure capacity on the circuits that cross the England – Scotland border and the

network upstream and downstream of the border such that power transfers can be sustained for a variety of generation patterns in Scotland and England;

$BST_n$  means the base scenario output capacity in MW of the network between Scotland and England in the relevant year  $n$ , and shall take the values specified in Table 4 of Annex B to this condition; and

$AVST_{n-1}$  means the adjustment volume of delivered long-term output capacity in MW of the network between Scotland and England in the relevant year  $n-1$  and shall be derived as follows:

- (a) in the relevant year commencing 1 April 2007, shall have a value equal to zero; and
- (b) in each subsequent year,  $AVST_{n-1}$  shall be calculated in the same manner as  $AVST_n$  save that references to the relevant year  $n$  shall be replaced by references to the relevant year  $n-1$ .

11. For the purposes of paragraph 3,  $LCx_n$  shall comprise those costs incurred and reported to the Authority in accordance with standard condition B15 (Price Control Review Information), by the licensee against the following cost categories:

- (a) underground cable tunnels up to a cap of £60,000,000 (in 2004/05 values);
- (b) upgrading of operational telecommunication systems resulting from the introduction of BT's 21st Century Networks programme;

subject to the licensee satisfying the Authority that such costs have been efficiently incurred.

12. For the purposes of this condition, the licensee shall, not later than 31 July in the relevant year commencing 1 April 2008 and each subsequent relevant year  $n$ , submit a report to the Authority (in a form approved by the Authority) giving the outturn values of all of the variables stipulated in this condition in respect of the relevant year  $n-1$  in accordance with standard condition B15 (Price Control Review Information).

**Part 2: Capital Expenditure Safety Net**

13. For the purposes of this condition, relevant capital expenditure (RelCx<sub>t</sub>) in respect of the relevant year t shall be calculated as follows:

$$RelCx_t = \frac{Cx_t - LCx_t - ESCx_t}{PIT_t} - LV_t$$

where:

Cx<sub>t</sub> shall take the value of Cx<sub>n</sub> for relevant year n=t, where Cx<sub>n</sub> shall take the same meaning as given in paragraph 3 of this condition;

LCx<sub>t</sub> shall take the value of LCx<sub>n</sub> for relevant year n=t, where LCx<sub>n</sub> shall take the same meaning as given in paragraph 3 of this condition; and

ESCx<sub>t</sub> shall take the value of ESCx<sub>n</sub> for relevant year n=t, where ESCx<sub>n</sub> shall take the same meaning as given in paragraph 3 of this condition;

PIT<sub>t</sub> shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue); and

LV<sub>t</sub> shall take the value of LV<sub>n</sub> for relevant year n=t, where LV<sub>n</sub> shall take the same meaning as given in paragraph 2 of this condition.

14. The licensee shall use reasonable endeavours to estimate relevant capital expenditure in respect of the relevant year t and each subsequent relevant year up to and including the relevant year commencing 1 April 2011.

15. For the purposes of paragraph 16, the relevant capital expenditure allowance (RelACx<sub>t</sub>) in the relevant year t shall be calculated in accordance with the following formula:

$$RelAC_t = BCx_t$$

where

BCx<sub>t</sub> shall take the value of BCx<sub>n</sub> for relevant year n=t, where BCx<sub>n</sub> shall take the same meaning as given in paragraph 2 of this condition.

16. If, in respect of the relevant year  $t$  or any subsequent relevant year up to and including the relevant year commencing on 1 April 2011, the licensee reasonably expects that relevant capital expenditure  $RelCx_t$  will be less than  $0.8 \times (RelACx_t)$  then the licensee shall furnish to the Authority a statement setting out:
  - (a) the amount by which the licensee expects relevant capital expenditure to fall below  $RelACx_t$  in respect of that same relevant year;
  - (b) the factors which, in the licensee's reasonable opinion, has or is likely to result in the shortfall referred to in sub-paragraph (a).
17. The Authority may request any additional information in relation to paragraphs 13 to 16 of this condition that it considers is reasonably necessary to exercise its duties and functions under the Act. Such a request shall be made in writing to the licensee and specify the date by which information shall be provided being not less than 14 days from the date of the notice.
18. Where the Authority issues a request pursuant to paragraph 17, the licensee shall, unless the Authority agrees otherwise, provide such information that has been requested by the Authority by the date specified in the request.
19. The Authority may, having considered the information provided by the licensee pursuant to this condition, by notice to the licensee set out that it proposes to reduce the value of the base transmission revenue set out in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue). Such notice shall specify:
  - (a) the amount by which the Authority proposes reduce base transmission revenue as a result of relevant capital expenditure  $RelCx_t$  being less than  $0.8 \times (RelACx_t)$ ;
  - (b) the date on which the Authority proposes that the proposed reduction in base transmission revenue would take effect;
  - (c) the reasons why the Authority considers that the proposed reduction is appropriate;
  - (d) the date, being of no less than 28 days from the date of the notice, by which the Authority invites comments from the licensee; and
  - (e) the date by which the Authority intends to give notice of such proposed licence amendments pursuant to section 11 (or as the case may be, section 12) of the Act.

20. The Authority shall have regard to any representations made by the licensee in response to the notice referred to in paragraph 19 before formally proposing the modification to the value of the base transmission revenue in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue) referred to in the notice pursuant to section 11 (or as the case may be, section 12) of the Act.
  
21. The proposals provided to the licensee pursuant to paragraph 19 above shall be constructed, so far as is reasonably practicable, to reduce the licensee's base transmission revenue by an amount which is no more than an amount which represents the savings in financing costs, including depreciation, in respect of a reduction to the capital expenditure allowance determined by the Authority for the purpose of this part of this condition in the light of information provided by the licensee in accordance with this part of this condition.

## Special Condition H: Amended standard conditions

1. Standard condition A1 (Definitions and interpretation) shall be amended by the addition of the following text between the definitions of "relinquishment of operational control" and "Retail Price Index":

"remote transmission assets" means any electric lines, electrical plant or meters in England and Wales owned by the licensee which:

- (a) are embedded in a distribution system of an authorised electricity operator within the transmission area of the licensee and are not directly connected by lines or plant owned by the licensee to a sub-station owned by the licensee and
- (b) are, by agreement between the licensee and such authorised electricity operator, operated under the direction and control of such authorised electricity operator.

2. Standard condition A1 (Definitions and interpretation) shall be amended as follows:

- (a) by the addition of the following text after "and includes" in the definition of "distribution system": "remote transmission assets (owned by the licensee within England and Wales) operated by such distributor and any";

- (b) by the addition of the following text at the end of the definitions of "GB transmission system" and "national electricity transmission system": "but shall not include any remote transmission assets";

- (c) not used;

- (d) in the definition of "transmission business":

- (aa) not used;

- (bb) not used;

(cc) the words "or commercial management" shall be inserted after "maintenance";

(dd) the words "the transmission owner activity," shall be inserted before "the balancing services activity"; and

(ee) not used.

3. Standard condition C1 (Interpretation of Section C) shall be amended by the addition of the following text between the definition of "transmission network services" and the definition of "use of system":

"transmission owner activity"

means

- (i) the activity of the licensee or any affiliate or related undertaking relating to the medium to long term planning, development, construction, maintenance and commercial management of the licensee's transmission system or the [GB national electricity](#) transmission system which is remunerated under special condition D2 (Restriction on Transmission Network Revenue) , and
- (ii) excluded services.



## Special Condition K: Requests for transit

1. In this condition:

"entity" means any of the entities referred to in Article 3.1 of the Directive of the Council of the European Communities, dated 29th October 1990, (No. 90/547/EEC) on the transit of electricity through transmission grids ("the Directive");

"grid" means any high-voltage electricity transmission grid for the time being listed in the Annex to the Directive;

"Member State" means a Member State of the European Communities;

"transit" means a transaction for the transport of electricity between grids where:

(a) the grid of origin or final destination is situated in a Member State; and

(b) the transport involves –

(i) the crossing of at least one frontier between Member States; and

(ii) the use of the [GB-national electricity](#) transmission system and at least two other grids.

2. Any entity applying in connection with transit for an agreement for use of system shall be treated for the purposes of standard conditions C7 (Prohibition on discrimination against users), C8 (Requirement to offer terms) and C9 (Functions of the Authority) as an authorised electricity operator.

3. The licensee shall, after receiving in connection with transit for a minimum duration of one year an application by any entity for an agreement for -

(a) use of system; or

(b) connection to the [GB-national electricity](#) transmission system or modification to an existing connection,

notify the Secretary of State, the Authority and the Commission of the European Communities without delay of the matters set out in paragraph 4 below.

4. The matters of which notification must be given are:
  - (a) the application;
  - (b) if an agreement has not been concluded within 12 months of the date of receipt of the application, the reasons for the failure to conclude it; and
  - (c) the conclusion of the agreement, whether it is concluded before or after the expiry of the period mentioned in sub-paragraph (b) above.

If, in relation to an application for transit by any entity, the Authority has been requested to exercise its powers under standard condition C9 (Functions of the Authority) or special condition F (Functions of the Authority), the Authority may delay the exercise of its said powers until the terms have been considered by the body set up under Article 3.4 of the Directive and the Authority may give such weight to the opinion (if any) of that body as it thinks fit in exercising its said powers.

### **Special Condition M: Restriction on the use of certain information**

1. This condition applies where the licensee has received an application for connection pursuant to paragraph 1(b) of standard condition C8 (Requirement to offer terms) from any person (the “applicant”), in relation to a possible connection to the [GB-national electricity](#) transmission system in an area which is outside the licensee’s transmission area.
2. Where this condition applies, any information which the licensee receives from another transmission licensee relating to the design or construction of that possible connection or relating to financial matters associated with that possible connection or any information which is derived from such information (but in each case excluding any such information which the licensee has properly received or will properly receive through another means) shall, for the purposes of this condition and special condition N (Appointment of a compliance officer) and until such time as the licensee accepts the TO offer relating to that possible connection or the applicant accepts an alternative offer made by the licensee and there are no outstanding alternative offers in respect of that TO offer, be confidential information.
3. Subject to paragraph 4, the licensee shall ensure that any confidential information is not disclosed to or used by those of its employees, agents, advisers, consultants or contractors who are responsible for, or are otherwise involved in any way in, the preparation of any alternative offer for or the making of any alternative offer to the applicant. The licensee shall further ensure that such of its employees, agents, advisers, consultants or contractors who are preparing an offer for the applicant dealing with such confidential information shall not have access to any information derived from or relating to any alternative offer or alternative offers being prepared for or which have been made to the applicant in relation to a possible connection or possible connections to any part of the [GB-national electricity](#) transmission system which falls within the licensee’s transmission area.
4. Paragraph 3 shall not (or no longer) apply if and to the extent that:
  - (a) the employees, agents, advisers, consultants or contractors who are responsible for, or are otherwise involved in, the preparation of an alternative offer are required to have access to the confidential information (or any part thereof) by virtue of any requirement of law;
  - (b) the employees, agents, advisers, consultants or contractors who are dealing with the confidential information (or any part thereof) are required to have access to any alternative offer (or any part thereof) by virtue of any requirement of law;

- (c) the relevant transmission licensee has notified (or otherwise agreed with) the licensee that the information referred to in paragraph 2 (or any part thereof) need not be treated as confidential for the purposes of this condition or special condition N (Appointment of a compliance officer);
- (d) any employees, agents, advisers, consultants or contractors are required to have access to both the confidential information (or any part thereof) and any alternative offer solely in connection with the financial sanctioning or final approval of an offer to be made to the applicant in accordance with standard condition C8 (Requirement to offer terms), provided that where following such access the licensee (or any employee, agent, adviser, consultant or contractor of the licensee on its behalf) amends any aspect of any offer to the applicant, such modification shall be notified to the Compliance Officer appointed in accordance with special condition N (Appointment of a compliance officer); or
- (e) any employees, agents, advisers, consultants or contractors are required to have access to both the confidential information (or any part thereof) and any alternative offer (or part thereof) solely in connection with assessing transmission system outage requirements and developing outage plans to facilitate connection to the [GB-national electricity](#) transmission system,

provided that effective arrangements are maintained in place at all times for ensuring that no further disclosure or use of any information supplied or obtained pursuant to this paragraph is made.

5. This condition applies without prejudice to any other confidentiality arrangements that may apply to the information referred to in paragraph 2.

6. In this condition

“alternative offer” an offer being prepared or made pursuant to paragraph 1(b) of standard condition C8 (Requirement to offer terms) shall be an alternative offer where:

- (c) it relates to a connection to the [GB-national electricity](#) transmission system at a location which is within the licensee’s transmission area; and

- (d) the applicant (whether by one or more applications):

- (i) has applied to connect to the [GB-national](#)

[electricity](#) transmission system at more than one location, at least one of which is located outside the licensee's transmission area; or

(ii) is willing to consider a connection to the [GB national electricity](#) transmission system at more than one location, at least one of which locations is outside the licensee's transmission area; and

(e) the licensee knows or it is reasonable for the licensee to assume that the applicant does not intend to connect to the [GB national electricity](#) transmission system at all the locations at which the applicant has requested an offer for connection and that it intends to choose to connect at one or more locations on the basis of the offers it receives,

but shall exclude any offer being prepared for or which has been made to the applicant which the licensee knows or it is reasonable for the licensee to assume the applicant does not consider is an alternative to any other offer which is being prepared for or which has been made to the applicant.

"applicant" has the meaning given to that term in paragraph 1.

"confidential information" has the meaning given to that term in paragraph 2.