

Annex

Modifications to Transmission Licence Standard Conditions

16 June 2009

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SECTION A: INTERPRETATION, APPLICATION AND PAYMENTS

Condition A1: Definitions and interpretation

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

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.

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"applicable STC objectives"	for the purposes of standard condition B12 (System Operator-Transmission Owner Code) only, has the meaning given in that condition.
"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 GBnational electricity 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 GBnational electricity 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.

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"balancing mechanism"	for the purposes of Section C only, has the meaning given 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.

"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,

- (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.

"customer"	means any person supplied or requiring to be supplied with electricity at any premises in Great Britain the national electricity transmission system operator area 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.

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"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 by the Authority and revised from time to time with the approval of the Authority.
"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 GBnational electricity 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 GBnational electricity 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.
"GB transmission system"	for the purposes of standard conditions C18 and D15 and the special conditions of the system operator's and Scottish licensees' licences. means the system consisting (wholly or mainly) of high voltage electric lines owned or operated by transmission licensees within Great Britain 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 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.
"Great Britain"	means the landmass of England and Wales and Scotland, including internal waters.
"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 national electricity 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.

"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"	<p>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;</p> <p>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</p> <p>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</p> <p>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</p> <p>the 132kV transmission circuit between and including (and directly connecting) the associated switchgear at</p>

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 system"

means those parts of the ~~GB~~[national electricity](#) transmission system which are owned or operated by a

transmission licensee within its 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

"national electricity 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.

"national electricity transmission system operator" means the specified area defined in Schedule 1 of the system operator’s transmission licence.

"offshore transmission" has the meaning given at section 6C of the Act

"offshore transmission go-active" means the date on which the Secretary of State first makes changes using powers pursuant to section 90 or section 91 of the Energy Act 2004;

"offshore transmission go-live" means the date on which the last of sections 89 of the Energy Act 2004, 180 of the Energy Act 2004 and section 44(3) of the Energy Act 2008 is commenced by the Secretary of State (irrespective of which of these three provisions is the last to be commenced).

"offshore transmission implementation period" means the period ending 18 months after offshore transmission go-active;

"offshore transmission" means the plan issued by the Secretary of State and the

<u>implementation plan</u>	<u>Authority (as amended) detailing the activities that are considered necessary or appropriate for the implementation of offshore transmission</u>
<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>
<u>“offshore transmission system”</u>	<u>means a part of the national electricity transmission system that is used for the purposes of offshore transmission.</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).

"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.

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

"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.

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"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 nor any offshore transmission owner .
"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 system" means those parts of the national electricity transmission system planned, 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).

"tender regulations" means regulations made by the Authority in accordance with section 6C of the Act.

"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).

[“transitional tender exercise”](#) [has the meaning given at section 6D of the Act.](#)

"transition modification provisions" for the purposes of each of standard condition B12 (System Operator – Transmission Owner Code), standard condition 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 assets”](#) [has the meaning given at paragraph 1\(3\) of Schedule 2A to the Act.](#)

"transmission business" 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~~[national electricity](#) 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 [national electricity](#)~~GB~~ transmission system including the balancing services activity, and any business in providing connections to the [national electricity](#)~~GB~~ transmission system, but shall not

include:

- (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 [national electricityGB](#) 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.
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;

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- (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 A7: Offshore Transmission Implementation

1. The licensee shall take such steps and do such things as are within its power and as are necessary or appropriate in order to give full and timely effect to all modifications made by the Secretary of State pursuant to sections 90 and 91 of the Energy Act 2004 to:
 - (a) This licence, and
 - (b) The STC, BSC, CUSC and Grid Code.
2. For the period between offshore transmission go-active and offshore transmission go-live, the licensee shall treat all modifications made by the Secretary of State pursuant to sections 90 and 91 of the Energy Act 2004 as fully effective.
3. The licensee shall take such steps and do such things as are within its power to undertake, activities in the offshore transmission implementation plan that are required of the licensee.
4. The licensee shall cooperate with other transmission licensees, authorised electricity operators and other such persons as the Authority may determine, to contribute to the full and timely completion of the offshore transmission implementation plan.
5. The licensee shall provide to the Authority, in such manner and at such times as the Authority may reasonably require, such information as the Authority may require or deem necessary or appropriate to enable the Authority to monitor the licensee's compliance with this condition.
6. This condition shall cease to have effect at the end of the offshore transmission implementation period or such earlier date as the Authority may specify in a direction to the licensee.

Condition B3: 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 B12 (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 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, 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;

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

"relevant asset"

means any asset for the time being forming part of the [GB national electricity](#) 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 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
 - (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 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 national electricity 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~~national electricity 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 [GBnational electricity 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 [GBnational electricity transmission system](#) in accordance with standard condition C11 (Production of information about the [GBnational electricity 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 [GBnational electricity](#) 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 transmission system or the ~~GB~~ national electricity 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~~national electricity 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) in order to comply with any direction from the Secretary of State to do so, so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period; or
 - (iii) _____ 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 [GBnational electricity](#) 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 provisions"

means the provisions of this condition which apply or 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 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~~ forming part of the national electricity transmission system;
 - (iii) the national electricity transmission system and transmission systems ~~within Great Britain and~~ within other countries;
 - (iv) the national electricity 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 at all times comply with any Section E (offshore transmission owner of last resort) Direction that has been given or varied by the Authority pursuant to this condition and given to the licensee.

2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, give a Section E (offshore transmission owner of last resort) Direction to provide transmission services for a period not exceeding five years where a Section E (offshore transmission owner of last resort) Direction previously given to an offshore transmission owner regarding those assets has expired or is due to expire, or:

(a) if the Authority, following a transitional tender exercise undertaken in accordance with the tender regulations:

(i) has not been able to determine a person to be granted an offshore transmission licence for the transmission assets to which the transitional tender exercise related; and

(ii) has taken all reasonable steps to identify from offshore transmission owners an offshore transmission owner to operate the transmission assets; or

(b) if the Authority intends to revoke the transmission licence of an offshore transmission owner; or

(c) if the Authority intends to revoke a Section E (offshore transmission owner of last resort) Direction given to another transmission licensee;

and were the Section E (offshore transmission owner of last resort) Direction not given, it would significantly increase the likelihood that the generating station that is, or is expected to be, connected to the transmission assets would be unreasonably delayed or stranded.

3. The Authority may only give a Section E (offshore transmission owner of last resort) Direction to the licensee if:

(a) it has not already given a Section E (offshore transmission owner of last resort) Direction that is in force to an offshore transmission owner in respect of the offshore

transmission assets to which the proposed Section E (offshore transmission owner of last resort) Direction relates;

(b) it considers that the licensee could comply with the Section E (offshore transmission owner of last resort) Direction without materially prejudicing the licensee's ability to:

(i) continue to carry out its activities pursuant to this licence, and

(ii) fulfil its contractual obligations under any relevant Codes;

(c) it is satisfied that the licensee is able to operate the relevant transmission assets in an efficient and economic manner;

(d) it is satisfied that the licensee will be able to finance the activities which are the subject of obligations to be imposed on it by or by virtue of the Section E (offshore transmission owner of last resort) Direction;

(e) it is satisfied that the licensee will be able to recover the costs of operating the relevant transmission assets in an economic and efficient manner, including a reasonable rate of return;

(f) it has given notice to the licensee, pursuant to paragraph 5 of this condition, of its intention to give a Section E (offshore transmission owner of last resort) Direction and specified a reasonable period (not being less than 14 days from the date of publication of the notice) within which the licensee may make representations to the proposed Section E (offshore transmission owner of last resort) Direction; and

(g) it has considered any representations made by the licensee and not withdrawn.

4. Where there is more than one transmission licensee to whom a Section E (offshore transmission owner of last resort) Direction may be given, the Authority in giving a Section E (offshore transmission owner of last resort) Direction must consider in relation to each transmission licensee:

(a) the financial, operational and technical standing of the transmission licensee;

(b) any information provided to the Authority by the transmission licensee in connection with the relevant transmission assets, in particular:

- (i) in relation to the costs that it expects to incur if it receives a Section E (offshore transmission owner of last resort) Direction;
 - (ii) its cost effectiveness relative to other transmission licensees to whom a Section E (offshore transmission owner of last resort) Direction may be given; and
 - (iii) in relation to relevant transmission assets to be completed, the period within which it expects to complete the assets; and
 - (c) any other relevant information available to the Authority, including the quality, price, technical merit, functional characteristics, environmental characteristics and location of the relevant transmission assets.
5. The Authority will give notice to the licensee of its intention to give a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2, setting out:
- (a) the basis on which the Authority considers that it is reasonable to make a Section E (offshore transmission owner of last resort) Direction pursuant to paragraph 2;
 - (b) the date on which the Authority proposes that the Section E (offshore transmission owner of last resort) Direction is to take effect;
 - (c) the period, subject to paragraph 10, for which the Authority proposes the Section E (offshore transmission owner of last resort) Direction shall be in effect; and
 - (d) the transmission assets to which the Section E (offshore transmission owner of last resort) Direction relates (including the geographical location and technical characteristics of those assets).
6. A notice under paragraph 5 above shall be given by:
- (a) publishing the notice in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction; and
 - (b) serving a copy of the notice on the licensee.
7. A Section E (offshore transmission owner of last resort) Direction shall not take effect unless the Authority has formally proposed modifications to the special conditions of this licence, pursuant to section 11 of the Act, that will prescribe the rights and obligations of the licensee

with respect to the relevant transmission assets, including the annual revenue that the licensee is able to earn for providing transmission services through the relevant transmission assets in an economic and efficient manner, and:

- (a) that the modifications are made by the Authority in accordance with section 11 of the Act with the consent of the licensee; or
- (b) that the modifications are made by the Authority in the form originally proposed by the Authority following a reference to the Competition Commission under section 12 of the Act on the proposed modification of the conditions; or
- (c) that the modifications are made by the Authority in such modified form as the Competition Commission may specify following a reference to the Competition Commission under section 12 of the Act on the proposed modification of the conditions.

8. Where the licensee considers that there has been a material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was given to the licensee may at any time apply in writing to the Authority for variation or revocation of the Section E (offshore transmission owner of last resort) Direction setting out a description of:

- (a) the material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was made;
- (b) the impact of the material prejudicial change on the licensee's ability to comply with the Section E (offshore transmission owner of last resort) Direction including the extent to which continuing to comply with the Section E (offshore transmission owner of last resort) Direction adversely affects the licensee's ability:
 - (i) to continue to carry out its activities pursuant to this licence; or
 - (ii) to fulfil its contractual obligations under any relevant Codes, and
- (c) any proposed variations to the Section E (offshore transmission owner of last resort) Direction.

9. Where the licensee has applied for variation or revocation pursuant to paragraph 8 the Authority will consider that application and:

(a) where that application is rejected by the Authority, the Authority must notify the licensee in writing of its decision not to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision;

(b) where that application is accepted by the Authority, the Authority must

(i) notify the licensee in writing of its decision to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision; and

(ii) publish a notice to that effect in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction.

10. Where the Authority has been able to determine a person, other than the person to whom the Section E (offshore transmission owner of last resort) Direction has been given, to be granted an offshore transmission licence for the transmission assets to which a Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2 relates, it must unless the licensee agrees otherwise revoke the Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2.

SECTION C: SYSTEM OPERATOR STANDARD CONDITIONS

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~~national electricity transmission system and the distribution system of any authorised electricity operator or any system linked to the ~~GB~~national electricity 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) transmission system, the procuring and using of balancing services for the purpose of balancing the [GBnational electricity](#) 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 [GBnational electricity](#) transmission system identifying the relevant connection site and setting out other site-specific details in relation to that connection to the [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) transmission system and the associated construction works of the CUSC user in relation

to a connection to the [GBnational electricity](#) 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.

["initial assumptions"](#) [means the assumptions made by the licensee about the works required to extend the national electricity transmission system where the relevant offshore transmission owner has not been identified.](#)

"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.

"total system"	means the GB national electricity transmission system and the distribution systems of all authorised electricity operators which are located in Great Britain the national electricity transmission system operator area .
"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 the national electricity transmission system operator area 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 the national electricity transmission system operator area 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 C3: Balancing and Settlement Code (BSC)

1. The licensee shall at all times have in force a BSC, being a document
 - (a) setting out the terms of the balancing and settlement arrangements described in paragraph 2;
 - (b) designed so that the balancing and settlement arrangements facilitate achievement of the objectives set out in paragraph 3; and
 - (c) including the modification procedures required by paragraph 4 and the matters required by paragraph 6,

and the licensee shall be taken to comply with this paragraph by modifying from time to time in accordance with the provisions of paragraphs 4 and 5 and the transition modification provisions, the document known as the BSC which existed and the licensee maintained pursuant to this licence immediately prior to the start of the transition period.

2. The balancing and settlement arrangements are
 - (a) arrangements pursuant to which BSC parties may make, and the licensee may accept, offers or bids to increase or decrease the quantities of electricity to be delivered to or taken off the total system at any time or during any period so as to assist the licensee in co-ordinating and directing the flow of electricity onto and over the [GBnational electricity](#) transmission system and balancing the [GBnational electricity](#) transmission system; and for the settlement of financial obligations (between BSC parties, or between BSC parties and the licensee) arising from the acceptance of such offers or bids; and
 - (b) arrangements:
 - (i) for the determination and allocation to BSC parties of the quantities of electricity delivered to and taken off the total system, and
 - (ii) which set, and provide for the determination and financial settlement of, obligations between BSC parties, or (in relation to the system operator's role in co-ordinating and directing the flow of electricity onto and over the [GBnational electricity](#) transmission system) between BSC parties and the licensee, arising by reference to the quantities referred to in sub-paragraph (i), including the

imbalances (after taking account of the arrangements referred to in subparagraph (a)) between such quantities and the quantities of electricity contracted for sale and purchase between BSC parties.

3. The objectives referred to in paragraph 1(b) are:
 - (a) the efficient discharge by the licensee of the obligations imposed upon it by this licence;
 - (b) the efficient, economic and co-ordinated operation of the [GBnational electricity](#) transmission system;
 - (c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;
 - (d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements described in paragraph 2.

4. The BSC shall include procedures for its own modification (including procedures for the modification of the modification procedures themselves), which procedures shall provide (without prejudice to the transition modification provisions and any procedures for modification of the BSC set out in the programme implementation scheme provided for in special condition J (NETA implementation) of the licensee's transmission licence or in the BSC by reference to the programme implementation scheme):
 - (a) for proposals for modification of the BSC to be made by the licensee, BSC parties and such other persons or bodies as the BSC may provide;
 - (b) where such a proposal is made,
 - (i) for bringing the proposal to the attention of BSC parties and such other persons as may have an appropriate interest in it;
 - (ii) for proper consideration of any representations on the proposal;
 - (iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable BSC objective(s), provided that so far as any such evaluation requires information which is not generally available concerning the licensee or the [GBnational electricity](#) transmission system, such

evaluation shall be made on the basis of the licensee's proper assessment (which the licensee shall make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraphs 3(a) and (b);

- (iv) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable BSC objective(s);
- (v) for the preparation of a report
 - setting out the proposed modification and any alternative,
 - evaluating the proposed modification and any alternative,
 - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable BSC objective(s),
 - assessing the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of such modification,
 - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
- (vi) 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 modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (v);
- (c) for the timetable (referred to in sub-paragraph (b)(v)) for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended or shortened with the consent of or as directed by the Authority after those persons likely to be affected by the revision of the timetable have been consulted;

- (d) for empowering the licensee to secure, if so directed by the Authority in circumstances specified in the BSC,
 - (i) that the modification procedures are complied with in respect of any particular modification in accordance with the terms of the direction;
 - (ii) that, where a modification has been made but not implemented in accordance with its terms, all reasonable steps are taken to implement it in accordance with the terms of the direction and
 - (iii) that the licensee can recover its reasonable costs and expenses properly incurred in complying with the direction.

- 5. (a) If a report has been submitted to the Authority pursuant to the procedures described in paragraph 4(b)(vi), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the BSC and any other modifications set out in such report, better facilitate achieving the applicable BSC objective(s), the Authority may direct the licensee to make that modification.

 - (b) The licensee shall, upon receipt of a direction from the Secretary of State to do so, modify the BSC so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period.
 - (c) The licensee shall, upon receipt by the licensee of a direction from the Secretary of State to do so, modify the BSC so as to incorporate any changes to the BSC designated by the Secretary of State on or before the 8 September 2004.
 - (d) The licensee shall have power (by executing an appropriate instrument) to modify the BSC in accordance with any direction of the Secretary of State pursuant to sub-paragraph (b) and any direction of the Authority pursuant to sub-paragraph (a) or paragraph 7 of special condition J (NETA implementation) of the licensee's transmission licence and shall modify it in accordance with every such direction; but it shall not have power to modify the BSC in any other circumstance.
 - (e) Only the licensee shall have power to modify the BSC.

- 6. The BSC shall provide for:

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- (a) a copy of the BSC 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;
- (b) the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC, such matters arising under the BSC as may be specified in the BSC;
- (c) information about the operation of the BSC and the balancing and settlement arrangements
 - (i) to be provided to the Authority and/or
 - (ii) to be published,

and for the licensee to be empowered to secure compliance with these requirements if so directed by the Authority.

7. The BSC may include:

- (a) arrangements to facilitate or secure compliance with the programme implementation scheme designated pursuant to special condition J (NETA implementation) of the licensee's transmission licence or matters envisaged thereunder, and
- (b) arrangements for final settlement and reconciliation of liabilities arising under or in connection with the Pooling and Settlement Agreement in respect of settlement periods prior to the effective time.

8. The provisions of paragraphs 6, 7 and 11 shall not limit the matters which may be provided for in the BSC.

9. The Authority may direct the licensee to procure the provision to the Authority of, or the publication of, such information about the operation of the BSC and/or the balancing and settlement arrangements as is referred to in paragraph 6(c) and specified in the direction.

10. The licensee shall comply with:

- (a) the BSC; and
- (b) any direction to the licensee made pursuant to this condition.

11. (a) The licensee shall be a party to the BSC Framework Agreement.

- (b) The BSC and/or the BSC Framework Agreement shall contain provisions:
- (i) for admitting as an additional party to the BSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the BSC) on which accession to the BSC Framework Agreement is offered;
 - (ii) for the licensee to refer to the Authority for determination, whether of its own motion or as provided in the BSC any dispute which shall arise as to whether a person seeking to be admitted as a party to the BSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that the person seeking admission has fulfilled all relevant accession conditions, for admitting such person as a party to the BSC Framework Agreement;
 - (iii) for persons to be admitted as additional parties to the BSC Framework Agreement by either
 - a representative (who need not be a BSC party) appointed thereunder to act on behalf of all parties to it, or
 - if there is no such representative or if the representative fails to act, the licensee acting on behalf of all parties to it.
- (c) If, following a determination of the Authority as referred to in sub-paragraph (b)(ii), the representative referred to in sub-paragraph (b)(iii) fails to act on behalf of all parties to admit such person, the licensee shall act on behalf of all parties to admit such person if directed to do so by the Authority.
12. The licensee shall take all reasonable measures to secure and implement (consistently with the procedures applicable under or in relation to the core industry documents to which it is party (or in relation to which it holds rights in respect of amendment)), and shall not take any steps to prevent or unduly delay, changes to those documents, such changes being changes which are appropriate in order to give full and timely effect to and/or in consequence of any modification which has been made to the BSC.
13. For the avoidance of doubt, paragraph 12 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 12 which the Authority may have.

14. In this condition in the expression "sale and purchase of electricity", sale excludes sale by way of assumption of an imbalance under the BSC and sale by way of supply to premises, and purchase shall be construed accordingly; and

"applicable BSC objective(s)" means

- (a) in relation to a proposed modification of the modification procedures, the requirements of paragraph 4 (to the extent they do not conflict with the objectives set out in paragraph 3); and
- (b) in relation to any other proposed modification, the objectives set out in paragraph 3.

"transition modification provisions"

means the provisions of this condition which apply or 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 BSC in certain circumstances.

Condition C6: Connection charging methodology

1. The licensee shall:
 - (a) as soon as practicable after the date this condition comes into effect determine a connection charging methodology approved by the Authority; and
 - (b) conform to the connection charging methodology as modified in accordance with paragraph 10.
2. The licensee shall, for the purpose of ensuring that the connection charging methodology achieves the relevant objectives, keep the connection charging methodology at all times under review.
3. The licensee shall, subject to paragraph 9, make such modifications to the connection charging methodology as may be requisite for the purpose of better achieving the relevant objectives.
4. The licensee shall as soon as practicable after the date this condition comes into effect prepare a statement approved by the Authority of the connection charging methodology in relation to charges, including charges:
 - (a) for the carrying out of works and the provision and installation of electrical lines or electrical plant or meters for the purposes of connection (at entry or exit points) to the [GBnational electricity](#) transmission system;
 - (b) in respect of extension or reinforcement of the [GBnational electricity](#) transmission system rendered (at the discretion of a transmission licensee where the extension or reinforcement is of that licensee's transmission system) necessary or appropriate by virtue of the licensee providing connection to or use of system to any person seeking connection;
 - (c) in circumstances where the electrical lines or electrical plant to be installed are (at the discretion of a transmission licensee where the electrical lines or electrical plant which are to be installed will form part of that licensee's transmission system) of greater size than that required for use of system by the person seeking connection;

- (d) for maintenance and repair (including any capitalised charge) required of electrical lines or electrical plant or meters provided or installed for making a connection to the [GBnational electricity](#) transmission system; and
- (e) for disconnection from the [GBnational electricity](#) transmission system and the removal of electrical plant, electrical lines and meters following disconnection,

and the statement referred to in this paragraph shall be in such form and in such detail as shall be necessary to enable any person to determine that the charges to which he would become liable for the provision of such services are in accordance with such statement.

- 5. An approval by the Authority pursuant to paragraph 1(a) and 4 may be granted subject to such conditions relating to further action to be undertaken by the licensee in relation to the connection charging methodology better meeting the relevant objectives as identified in any initial consultation by the Authority as the Authority deems appropriate. Such conditions may include (but are not limited to) elements relating to the time by which actions under this condition need to be completed.
- 6. Nothing in this condition shall affect the ability of the licensee to charge according to the statement issued pursuant to paragraph 4.
- 7. Unless otherwise determined by the Authority, the licensee shall only enter into a bilateral agreement or a construction agreement which secures that the connection charges will conform with the statement of the connection charging methodology last furnished under paragraphs 4 or 10 either:
 - (a) before it enters into the arrangements; or
 - (b) before the charges in question from time to time fall to be made.
- 8. The connection charging methodology shall make provision for connection charges for those items referred to in paragraph 4 to be set at a level for connections made after 30 March 1990 which will enable the licensee to recover:
 - (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the [GBnational electricity](#) 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; and
 - (b) a reasonable rate of return on the capital represented by such costs,

and for connections made before 30 March 1990 to the licensee's transmission system, the connection charging methodology for those items referred to in paragraph 4 shall as far as is reasonably practicable reflect the principles of sub-paragraphs (a) and (b).

9. Except with the consent of the Authority, before making a modification to the connection charging methodology the licensee shall:
 - (a) consult the CUSC users on the proposed modification and allow them a period of not less than 28 days within which to make written representations;
 - (b) send a copy of the terms of the proposed modification to any person who asks for them;
 - (c) furnish the Authority with a report setting out:
 - (i) the terms originally proposed for the modification;
 - (ii) the representations (if any) made to the licensee;
 - (iii) any change in the terms of the modification intended in consequence of such representations;
 - (iv) how the intended modification better achieves the relevant objectives; and
 - (v) a timetable for implementation of the modification and the date with effect from which the modification (if made) is to take effect, such date being not earlier than the date on which the period referred to in paragraph 10 expires; and
 - (d) where the Authority has given a direction that sub-paragraphs (a), (b) and/or (c) should not apply, comply with such other requirements (if any) that the Authority may specify in the direction.
10.
 - (a) The licensee will not make any modification to the connection charging methodology where the Authority has, within 28 days (or within 3 months if the Authority intends to undertake an impact assessment) of the report being furnished to it under paragraph 9, given a direction that the modification shall not be made.
 - (b) Where the licensee makes a modification to the connection charging methodology, it shall furnish the Authority with a revised statement showing the changed connection charging methodology and such revised statement of the connection charging

methodology shall supersede previous statements of the connection charging methodology furnished under paragraph 4 or this paragraph 10 from the date specified therein.

11. In paragraphs 2, 3 and 9 "the relevant objectives" shall mean:
 - (a) the objectives referred to in paragraph 5 of standard condition C5 (Use of system charging methodology), as if references therein to the use of system charging methodology were to the connection charging methodology; and
 - (b) in addition, the objective, in so far as consistent with sub-paragraph (a), of facilitating competition in the carrying out of works for connection to the [GBnational electricity](#) transmission system.
12. A statement furnished under paragraphs 4 or 10 shall, where practicable, include examples of the connection charges likely to be made in different cases as determined in accordance with the methods and principles shown in the statement.
13. The licensee shall send a copy of any statement or revision of a statement or report furnished under paragraphs 4, 9 or 10 to any person who asks for any such statement or revision thereof or report.
14. The licensee may make a charge for any statement or revision of a statement or report, furnished or sent pursuant to paragraph 13 of an amount reflecting the licensee's reasonable costs of providing such which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this condition.
15. Nothing in this condition shall impact on the application of special conditions AA5A to AA5E (Revenue restriction provisions).

Condition C7: Prohibition on discriminating between users

1. In the provision of use of system or in the carrying out of works for the purpose of connection to the [GBnational electricity](#) transmission system, the licensee shall not discriminate as between any persons or class or classes of persons.
2. Without prejudice to paragraph 1 and subject to paragraphs 3 and 5, the licensee shall not make charges for provision of use of system to any authorised electricity operator or class or classes of authorised electricity operator which differ in respect of any item separately identified in the statement referred to at paragraph 2(b) of standard condition C4 (Charges for use of system) from those for provision of similar items under use of system to any other authorised electricity operator or class or classes of authorised electricity operator except in so far as such differences reasonably reflect differences in the costs associated with such provision.
3. Notwithstanding paragraph 2, the licensee shall not make use of system charges in respect of any item of charge separately identified in the statement referred to at paragraph 2(b) of standard condition C4 (Charges for use of system) on any authorised electricity operator whose contract does not provide for him to receive the service to which such item of charge refers.
4. The licensee shall not in setting use of system charges restrict, distort or prevent competition in the generation, transmission, supply or distribution of electricity or in the participation of the operation of an interconnector.
5. For the avoidance of doubt the adjustment of use of system charges made in accordance with standard condition C13 (Adjustments to use of system charges (small generators)) shall not place the licensee in breach of this condition.

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~~[national electricity](#) 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~~[national electricity](#) transmission system rendered (at the discretion of an ~~STC party~~[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 national electricity 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 GBnational electricity 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 GBnational electricity transmission system (including for this purpose any works to reinforce or extend the GBnational electricity 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 GBnational electricity 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

(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 to enter or to enter into any agreement with the licensee; or

(f) if to do so would extend the national electricity transmission system beyond the transmission area defined in special condition AA of the licensee's or any other

transmission licensee's licence and the required works could not be undertaken by an offshore transmission owner.

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
 - (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 3 months to reflect any changes needed as a consequence of a TO offer from an offshore transmission owner being different from the initial assumptions made by the licensee under paragraph 3(c).

10. For the period between offshore transmission go-active and offshore transmission go-live, the licensee shall for the purposes of paragraph 3 of this condition:

- (a) treat a notification made by a distribution licensee in respect of a relevant offshore agreement between the distribution licensee and an existing offshore generator, as an application on behalf of that existing offshore generator for connection to and use of the national electricity transmission system; and
- (b) treat a notice issued by the licensee in accordance with the CUSC, to an existing offshore generator in respect of a relevant offshore agreement as an application on behalf of that existing offshore generator for modification to an existing connection to the national electricity transmission system.

11. In making an offer to an existing offshore generator in accordance with paragraph 3 of this condition, the licensee shall offer to enter into an agreement that reflects the terms of any relevant offshore agreement that:

(a) the licensee has with the existing offshore generator;

(b) that a distribution licensee has with the existing offshore generator that has been notified to the licensee in accordance with the CUSC.

12. In this condition:

“existing offshore generator” means a generator with a generating station located in offshore waters that has a relevant offshore agreement for connection via lines of 132kV or above that are wholly or partly in offshore waters.

“offshore waters” has the meaning given in the Act.

“relevant offshore agreement” means an agreement between an existing offshore generator and the licensee for connection to and/or use of the national electricity transmission system or an agreement between an existing offshore generator and a distribution licensee for connection to its distribution system.

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 GBnational electricity 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 accordance with paragraph 3(c) of standard condition C8 (Requirement to offer terms) 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 licensee~~STC 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 licensee~~STC 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 licensee~~STC party which the licensee knows or reasonably considers is or may be an affected ~~transmission licensee~~STC 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 [GBnational electricity](#) 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 C10: Connection and Use of System Code (CUSC)

1. The licensee shall establish arrangements for connection and use of system in respect of matters other than those to which standard conditions C14 (Grid Code) and C5 (Use of system charging methodology) to C9 (Functions of the Authority) relate which are calculated to facilitate the achievement of the following objectives:

- (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and
- (b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity,

and the licensee shall be taken to comply with this paragraph by modifying from time to time in accordance with the provisions of paragraphs 6 and 7 and the transition modification provisions, the document setting out the arrangements for connection and use of system which existed and which the licensee maintained pursuant to this licence immediately prior to the start of the transition period.

2. The licensee shall prepare a connection and use of system code ("CUSC") setting out:

- (a) the terms of the arrangements made in pursuance of paragraph 1;
- (b) the procedures established in pursuance of paragraph 6; and
- (c) such other terms as are or may be appropriate for the purposes of the CUSC.

3. The licensee shall only enter into arrangements for connection and use of system which are in conformity with any relevant provisions of the CUSC.

4. The CUSC shall provide for:

- (a) the licensee and each CUSC user to be contractually bound insofar as is applicable by the terms of the Grid Code from time to time in force;
- (b) (i) the licensee and each CUSC user, where appropriate, to enter into an agreement or agreements, supplemental to and in a form prescribed by the CUSC, setting out site specific details in respect of each site at which the CUSC user's

electrical lines or electrical plant is connected to the [GBnational electricity](#) transmission system;

- (ii) each CUSC user, where appropriate, to enter into an agreement or agreements with a transmission licensee (other than the licensee) supplemental to and in a form prescribed by the CUSC setting out site specific details in respect of each site at which the CUSC user's electrical lines or electrical plant is connected to the [GBnational electricity](#) transmission system;
 - (c) there to be referred to the Authority for determination such matters arising under the CUSC as may be specified in the CUSC; and
 - (d) a copy of the CUSC 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 4 and 10 shall not limit the matters which may be provided for in the CUSC.
6. The licensee shall establish and operate procedures for the modification of the CUSC (including procedures for modification of the modification procedures themselves), so as to better facilitate achievement of the applicable CUSC objectives, which procedures shall provide (without prejudice to the transition modification provisions and the procedures for modification provided for at paragraph 7 below):
- (a) for proposals for modification of the CUSC to be made by the licensee, CUSC users and such other persons and bodies as the CUSC may provide;
 - (b) where such a proposal is made:
 - (i) for bringing the proposal to the attention of CUSC 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;
 - (iii) for properly evaluating whether the proposed modification would better facilitate achieving the applicable CUSC objectives, provided that so far as any such evaluation requires information which is not generally available concerning the licensee or the [GBnational electricity](#) transmission system, such evaluation shall be made on the basis of the licensee's proper assessment (which

the licensee shall make available for these purposes) of the effect of the proposed modification on the matters referred to in paragraph 1(a) and (b);

- (iv) for development of any alternative modification which may, as compared with the proposed modification, better facilitate achieving the applicable CUSC objectives;
 - (v) for the preparation of a report:
 - setting out the proposed modification and any alternative;
 - evaluating the proposed modification and any alternative;
 - assessing the extent to which the proposed modification or any alternative would better facilitate achieving the applicable CUSC objectives;
 - assessing the impact of the modification on the core industry documents and the changes expected to be required to such documents as a consequence of such modification;
 - setting out a timetable for implementation of the modification and any alternative, including the date with effect from which such modification (if made) is to take effect; and
 - (vi) 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 modification) for the proper execution and completion of the steps in sub-paragraphs (i) to (v); and
 - (c) for the timetable (referred to in sub-paragraph (b)(v)) for implementation of any modification to be such as will enable the modification to take effect as soon as practicable after the Authority has directed such modification to be made, account being taken of the complexity, importance and urgency of the modification, and for that timetable to be extended with the consent of or as required by the Authority.
7. (a) If a report has been submitted to the Authority pursuant to procedures described in paragraph 6(b)(vi), and the Authority is of the opinion that a modification set out in such report would, as compared with the then existing provisions of the CUSC and any alternative modifications set out in such report, better facilitate achieving the

applicable CUSC objectives the Authority may direct the licensee to make that modification.

(b) The licensee shall, upon receipt of a direction from the Secretary of State to do so, modify the CUSC so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period.

(c) The licensee shall, upon receipt by the licensee of a direction from the Secretary of State to do so, modify the CUSC so as to incorporate any changes to the CUSC designated by the Secretary of State on or before 8 September 2004.

(d) The licensee shall only modify the CUSC:

(i) in order to comply with any direction of the Secretary of State pursuant to sub-paragraph (b) or 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 modify the CUSC in any other circumstance; and the licensee shall furnish the Authority with a copy of any modification made.

(e) Only the licensee shall have the power to modify the CUSC.

8. The licensee shall prepare and publish a summary of the CUSC as modified 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 CUSC Framework Agreement and shall comply with the CUSC.

10. The CUSC Framework Agreement shall contain provisions:

(a) for admitting as an additional party to the CUSC Framework Agreement any person who accepts the terms and fulfils the conditions (each as specified in the CUSC) on which accession to the CUSC 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 CUSC Framework Agreement has fulfilled any accession conditions; and if the Authority determines that

the person seeking accession had fulfilled all relevant standard conditions, for admitting such person to be a party to the CUSC Framework Agreement.

11. The Authority may issue a direction to the licensee to make such amendments to the agreement known as the Master Connection and Use of System Agreement ("MCUSA") and the supplemental agreements and ancillary services agreements (as defined or referred to in MCUSA) and any associated agreements derived from MCUSA as shall be stated as required to be made to amend them appropriately into the CUSC Framework Agreement, CUSC, bilateral agreements, construction agreements and associated agreements derived from CUSC so as to maintain continuity of contractual relationships.
12. The licensee shall 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 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 modification which has been made to the CUSC.
13. For the avoidance of doubt, paragraph 11 is without prejudice to any rights of approval, veto or direction in respect of proposed changes to the documents referred to in paragraph 12 which the Authority may have.
14. The licensee shall comply with any direction to the licensee made pursuant to this condition.
15. In this condition:

"applicable CUSC objectives" means:

- (a) in relation to a proposed modification of the modification procedures, the requirements of paragraph 6 (to the extent that they do not conflict with the objectives set out in paragraph 1); and
- (b) in relation to any other proposed modification, the objectives set out in paragraph 1.

Electricity Transmission Licence: Standard Conditions

"transition modification provisions"

means the provisions of this condition which apply or 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 CUSC in certain circumstances.

Condition C11: Production of information about the [GBnational electricity](#) transmission system

1. The licensee shall by not later than 31 May 2005 for the financial year ending 31 March 2005 and by 31 May in each financial year thereafter, prepare a statement in a form approved by the Authority showing in respect of each of the seven succeeding financial years circuit capacity, forecast power flows and loading on each part of the [GBnational electricity](#) transmission system and fault levels for each transmission node, together with:
 - (a) such further information as shall be reasonably necessary to enable any person seeking use of system to identify and evaluate the opportunities available when connecting to and making use of such system;
 - (b) a commentary prepared by the licensee indicating those parts of the [GBnational electricity](#) transmission system most suited to new connections and transport of further quantities of electricity; and
 - (c) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this condition.
2. The licensee shall include in every statement prepared under paragraph 1 above the information required by that paragraph except that the licensee may with the prior consent of the Authority omit from such statement any details as to circuit capacity, power flows, loading or other information, disclosure of which would, in the view of the Authority, seriously and prejudicially affect the commercial interests of the licensee or any other transmission licensee or any third party.
3. The licensee may periodically revise the information set out in and, with the approval of the Authority, alter the form of the statement prepared in accordance with paragraph 1 and shall, at least once every year that this licence is in force, revise such statement in order that the information set out in the statement shall continue to be accurate in all material respects.
4. The licensee shall send a copy of any such statement or revision given under paragraphs 1 or 3 to any person who asks for one.
5. The licensee may make a charge for any statement or revision sent pursuant to paragraph 4 of an amount reflecting the licensee's reasonable costs of providing such, which costs shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.

Condition C12: Limits on the level to which transmission services are provided

1. In co-ordinating and directing the flow of electricity onto and over the [GB national electricity](#) transmission system, the licensee shall, in accordance with the STC, ensure that any of the technical levels that apply to the provision to the licensee of any transmission services are not exceeded.
2. The technical levels referred to in paragraph 1 above are those set out in the STC.

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

1. When calculating use of system charges (other than charges relating to the provision of balancing services) to eligible generators the licensee shall set a charge in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) less a designated sum.
2. When calculating use of system charges (other than charges relating to the provision of balancing services) to customers who are taking demand from the [GB national electricity transmission system](#) the licensee shall set charges in conformance with the use of system charging methodology in accordance with standard condition C4 (Charges for use of system) plus a unit amount (to be added to all such charges on a non-discriminatory and non-locational basis) such that the net effect of this condition on total sums charged for and recovered by the licensee in respect of the period in which this condition is in effect is zero. The licensee shall ensure that the net sums recovered for any given year are as far as practicable zero.
3. The licensee shall publish sufficient information in a timely manner such that all parties whose use of system charges are or may be adjusted in accordance with this condition are able to make a reasonable estimate of how use of system charges have been affected by the provision contained within this condition. To the extent that net sums recovered in any given year might not be equal to zero, the licensee shall also publish sufficient information to enable affected parties to make a reasonable estimate of how any over or under-recovery in respect of that year made pursuant to this condition will affect adjustments to charges for the following year.
4. The Authority shall be entitled to issue a direction pursuant to this condition at any time stating that, with effect from 1 April immediately following the issuing by the Authority of such a direction, the designated sum shall be equal to zero.
5. This condition shall have effect for the Licensee's charges for the period ending on 31 March 2011.
6. The Licensee shall use its best endeavours to develop and implement use of system charges for eligible generators under the use of system charging methodology, approved by the Authority, by 1 April 2011.
7. For the purposes of this condition:

“eligible generator”

means a generating station which:

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

“designated sum”

means such sum as shall be directed by the Authority as soon as practicable after the determination of an approved use of system charging methodology in accordance with standard condition C4 (Charges for use of system).

Condition C14: Grid Code

1. The licensee shall in consultation with authorised electricity operators liable to be materially affected thereby prepare and at all times have in force and shall implement and comply (subject to paragraph 11) with the Grid Code:
 - (a) covering all material technical aspects relating to connections to and the operation and use of the [GBnational electricity](#) transmission system or (in so far as relevant to the operation and use of the [GBnational electricity](#) transmission system) the operation of electric lines and electrical plant connected to the [GBnational electricity](#) transmission system or any distribution system of any authorised distributor and (without prejudice to the foregoing) making express provision as to the matters referred to in paragraph 5 below; and
 - (b) which is designed so as:
 - (i) to permit the development, maintenance and operation of an efficient, co-ordinated and economical system for the transmission of electricity;
 - (ii) to facilitate competition in the generation and supply of electricity (and without limiting the foregoing, to facilitate the [GBnational electricity](#) transmission system being made available to persons authorised to supply or generate electricity on terms which neither prevent nor restrict competition in the supply or generation of electricity) ; and
 - (iii) subject to sub-paragraphs (i) and (ii), to promote the security and efficiency of the electricity generation, transmission and distribution systems in [the national electricity transmission system operator area](#) ~~Great Britain~~ taken as a whole.
2. The Grid Code shall be the code which existed and which the licensee maintained pursuant to its licence immediately prior to the start of the transition period, modified from time to time in accordance with the transition modification provisions and the provisions of this condition. The licensee shall (in consultation with authorised electricity operators liable to be materially affected thereby) periodically review (including upon the request of the Authority) the Grid Code and its implementation. Following any such review, the licensee shall send to the Authority:
 - (a) a report on the outcome of such review; and

- (b) any proposed revisions to the Grid Code from time to time as the licensee (having regard to the outcome of such review) reasonably thinks fit for the achievement of the objectives referred to in paragraph (b) of paragraph 1; and
 - (c) any written representations or objections from authorised electricity operators liable to be materially affected thereby (including any proposals by such operators for revisions to the Grid Code not accepted by the licensee in the course of the review) arising during the consultation process and subsequently maintained.
3. Revisions to the Grid Code proposed by the licensee and sent to the Authority pursuant to paragraph 2 shall require to be approved by the Authority.
4. Having regard to any written representations or objections referred to in sub-paragraph (c) of paragraph 2, and following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the licensee to revise the Grid Code in such manner as may be specified in the directions, and the licensee shall forthwith comply with any such directions.
5. The Grid Code shall include codes relating to the technical operation of the [GBnational electricity](#) transmission system, including:
- (a) connection conditions specifying the technical, design and operational criteria to be complied with by the licensee and by any person connected or seeking connection with the [GBnational electricity](#) transmission system or by any person authorised to generate who is connected with or seeks connection with the [GBnational electricity](#) transmission system or any distribution system of any third party which is located in [the national electricity transmission system operator area](#)~~Great Britain~~.
 - (b) an operating code specifying the conditions under which the licensee shall operate the [GBnational electricity](#) transmission system and under which persons shall operate their plant and/or distribution systems in relation to the [GBnational electricity](#) transmission system, in so far as necessary to protect the security and quality of supply and safe operation of the [GBnational electricity](#) transmission system under both normal and abnormal operating conditions;
 - (c) a planning code specifying the technical and design criteria and procedures to be applied in the planning and development of the [GBnational electricity](#) transmission system and to be taken into account by persons connected or seeking connection with

the [GBnational electricity](#) transmission system in the planning and development of their own plant and systems; and

- (d) procedures relating to the outage of generation sets and a balancing code specifying, among other matters, information to be submitted by authorised electricity operators to the licensee for the purposes of, and the making of offers and bids in, the balancing mechanism, and the issuing by the licensee of instructions by reference to such offers and bids.

6. [The licensee shall, upon receipt of a direction from the Secretary of State to do so, revise the Grid Code so as to incorporate any changes directed by the Secretary of State pursuant to section 90 of the Energy Act 2004 during or before the offshore transmission implementation period.](#)

6.7. The licensee shall, upon receipt by the licensee of a direction from the Secretary of State to do so, revise the Grid Code so as to incorporate any changes to the Grid Code designated by the Secretary of State on or before 8 September 2004.

7.8. The licensee shall give or send a copy of the Grid Code (as from time to time revised) to the Authority.

8.9. The licensee shall (subject to paragraph 9) give or send a copy of the Grid Code (as from time to time revised) to any person requesting the same.

9.10. The licensee may make a charge for any copy of the Grid Code (as from time to time revised) given or sent pursuant to paragraph 8 of an amount which will not exceed any amount specified for the time being for the purposes of this condition in directions issued by the Authority.

10.11. In preparing, implementing and complying with the Grid Code (including in respect of the scheduling of maintenance of the [GBnational electricity](#) transmission system), the licensee shall not unduly discriminate against or unduly prefer any person or class or classes of person in favour of or as against any person or class or classes of persons.

11.12. The Authority may (following consultation with the licensee) issue directions relieving the licensee of its obligations to implement or comply with the Grid Code in respect of such parts of the [GBnational electricity](#) transmission system and/or to such extent as may be specified in the directions.

12,13. In this condition, authorised electricity operator includes any person transferring electricity to or from the national electricity transmission system operator area~~Great Britain~~ across an interconnector; and

"transition modification provisions"

means the provisions of this condition which apply or 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 revise the Grid Code in certain circumstances.

Condition C15: Compliance with Distribution Codes

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.

~~2.3.~~ 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 C16: Procurement and use of balancing services

1. The licensee shall co-ordinate and direct the flow of electricity onto and over the [GBnational electricity](#) transmission system in an efficient, economic and co-ordinated manner.
2. Having taken into account relevant price and technical differences, the licensee shall not discriminate as between any persons or classes of persons in its procurement or use of balancing services.
3.
 - (a) The licensee shall before the effective time and thereafter at 12 monthly intervals (or such longer period as the Authority may approve) prepare a statement in a form approved by the Authority setting out the kinds of balancing services which it may be interested in purchasing in the period until the next statement is due and the mechanisms by which it would envisage purchasing them.
 - (b) Where during the term of the statement referred to in sub-paragraph (a) the licensee's intentions change regarding the types of services it wishes to purchase, the licensee shall review the statement and consider whether any revision to the statement is necessary and promptly seek to establish a revised statement in accordance with the terms of paragraph 8 of this condition.
4. Within one month after the date on which each statement (other than the first one) is due to be published pursuant to paragraph 3, the licensee shall prepare a report in a form approved by the Authority in respect of the balancing services which the licensee has bought or acquired (other than balancing services which the licensee has acquired through the mere acceptance of an offer or bid in the balancing mechanism, provided such offer or bid was not made pursuant to any prior agreement) in the period of 12 months (or such longer period as the Authority may approve) ending on the date referred to above.
5.
 - (a) The licensee shall before the effective time prepare a statement approved by the Authority setting out (consistently with the licensee's duty under paragraph 2 and consistently with its other duties under the Act and the conditions of its transmission licence) the principles and criteria by which the licensee will determine, at different times and in different circumstances, which balancing services the licensee will use to assist in co-ordinating and directing the flow of electricity onto and over the [GBnational electricity](#) transmission system (and/or to assist in doing so efficiently and economically), and when the licensee would resort to measures not involving the use of balancing services.

- (b) The licensee shall if so directed by the Authority or when any modification should be made to the statement referred to in paragraph 5(a) to more closely reflect the intentions of the licensee but in any event at least once a year, review the statement prepared pursuant to sub-paragraph (a) and promptly seek to establish a revised statement approved by the Authority, such revisions to be made in accordance with the terms of paragraph 8 of this condition.
 - (c) The licensee shall as soon as practicable:
 - (i) after 1 April 2002, in respect of the period beginning at the effective time and ending on 1 April 2002;
 - (ii) after 30 September 2002, in respect of the period beginning on 1 April 2002 and ending on 30 September 2002; and
 - (iii) after 30 September 2003 and in each subsequent year, in respect of each period of twelve months commencing on 1 October and ending on 30 September

prepare a report on the manner in which and the extent to which the licensee has, during that period, complied with the statement prepared pursuant to sub-paragraph (a) together with any revision made in accordance with paragraph 8 of this condition and whether any modification should be made to that statement to more closely reflect the practice of the licensee.
 - (d) The report prepared pursuant to sub-paragraph (c) shall be accompanied by a statement from the licensee's auditors that they have carried out an investigation the scope and objectives of which shall have been established by the licensee and approved by the Authority, and they shall give their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to sub-paragraph (a) together with any revision made in accordance with paragraph 8 of this condition.
6. (a) This paragraph applies where the BSC provides that any imbalance price is to be determined (in whole or in part) by reference to the costs and volumes of relevant balancing services.
- (b) Where this paragraph applies the licensee shall:
 - (i) before the effective time, establish a balancing services adjustment data methodology approved by the Authority;

- (ii) from time to time thereafter, when the licensee first buys, sells or acquires any relevant balancing services of a kind or under a mechanism which is not covered by the prevailing balancing services adjustment data methodology, promptly seek to establish a revised balancing services adjustment data methodology approved by the Authority which covers that kind of balancing services or mechanisms for buying, selling or acquiring them;
 - (iii) prepare a statement of the prevailing balancing services adjustment data methodology as approved by the Authority; and
 - (iv) at all times determine and provide (for use under the relevant provisions of the BSC) the costs and volumes of the relevant balancing services in compliance with the prevailing balancing services adjustment data methodology, which are to be taken into account in determining imbalance price(s) under the BSC.
 - (c) The licensee shall when any modification should be made to the statement referred to in sub-paragraph 6 (b)(iii) to more closely reflect the intentions of the licensee review the statement prepared pursuant to sub-paragraph 6 (b)(iii) and promptly seek to establish a revised statement approved by the Authority made in accordance with terms of paragraph 8 of this condition.
7. (a) This paragraph applies where the BSC provides that any applicable balancing services volume data is to be determined (in whole or in part) by reference to the volumes of energy associated with the provision of applicable balancing services.
- (b) Where this paragraph applies the licensee shall:
 - (i) before the date this paragraph comes into effect, establish an applicable balancing services volume data methodology approved by the Authority;
 - (ii) Not used;
 - (iii) prepare a statement of the prevailing applicable balancing services volume data methodology as approved by the Authority; and
 - (iv) at all times determine and provide (for use under the relevant provisions of the BSC) the volumes of applicable balancing services in compliance with the prevailing applicable balancing services volume data methodology, which are to

be taken into account in determining applicable balancing services volume data under the BSC.

- (c) The licensee shall when any modification should be made to the statement referred to in sub-paragraph 7(b)(iii) to more closely reflect the intentions of the licensee review the statement prepared pursuant to sub-paragraph 7(b)(iii) and promptly seek to establish a revised statement approved by the Authority made in accordance with terms of paragraph 8 of this condition.
8. Except where the Authority directs otherwise, before revising the statements prepared pursuant to paragraphs 3(a), 5(a), 6(b)(iii) and 7(b)(iii) and each revision thereof the licensee shall:
- (i) send a copy of the proposed revisions to the Authority and to any person who asks for one;
 - (ii) consult BSC parties on the proposed revisions and allow them a period of not less than 28 days in which to make representations;
 - (iii) submit to the Authority within seven (7) days of the close of the consultation period referred to in sub-paragraph 8(a) (ii) above a report setting out
 - the revisions originally proposed,
 - the representations (if any) made to the licensee,
 - any changes to the revisions, and
 - (iv) where the Authority directs that sub-paragraphs (i), (ii) and (iii) or any of them shall not apply, comply with such other requirements as are specified in the direction.
- (b) The licensee shall not revise the statements referred to in paragraphs 3(a), 5(a), 6(b)(iii) and 7(b)(iii) and each revision thereof until the expiry of 28 days from the date on which the Authority receives the report referred to in sub-paragraph (a)(iii) unless prior to such date the Authority either:
- (i) directs the licensee to make the revisions on an earlier date; or
 - (ii) directs the licensee not to make the revision.

9. The licensee shall take all reasonable steps to comply with the statement for the time being in force pursuant to paragraph 5(a).
10. The licensee shall send to the Authority a copy of each of the statements and reports prepared pursuant to paragraphs 3, 4, 5, 6 and 7 and of all revisions to any such statements made in accordance with the terms of paragraph 8 of this condition.
11. The licensee shall:
 - (a) publish (in such manner as the Authority may approve from time to time) the statements prepared pursuant to paragraphs 3(a), 5(a), 6(b)(iii) and 7(b)(iii) and each revision thereof, and
 - (b) send a copy of each statement and report prepared pursuant to paragraphs 3, 4, 5, 6 and 7 or the latest revision of any such statements to any person who requests the same, provided that the licensee shall exclude therefrom, so far as is practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect his interests,and, for the purposes of paragraph (b), the licensee shall refer for determination by the Authority any question as to whether any matter would or might seriously and prejudicially affect the interests of any person (unless the Authority consents to the licensee not doing so).
12. The licensee may make a charge for any copy of a statement, report or revision sent pursuant to paragraph 11(b) of any amount reasonably reflecting the licensee's reasonable costs of providing such a copy which shall not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.
13. The licensee shall, unless the Authority otherwise consents, maintain for a period of six years:
 - (a) particulars of all balancing services offered to it;
 - (b) particulars of all contracts (other than those in the balancing mechanism) for balancing services which it entered into;
 - (c) particulars of all contracts for balancing services entered into by way of the acceptance of a bid or offer in the balancing mechanism where the bid or offer was made pursuant to a prior agreement;

- (d) records of all balancing services called for and provided; and
 - (e) records of quantities of electricity imported and exported across each interconnector(s).
14. The licensee shall provide to the Authority such information as the Authority shall request concerning the procurement and use of balancing services.
15. In this condition:

"applicable balancing services" means those services that the Authority directs the licensee to treat as applicable balancing services;

"applicable balancing services volume data" means the amount of energy deemed by virtue of the applicable balancing services volume methodology to have been produced or consumed as a result of delivering applicable balancing services;

"applicable balancing services volume data methodology" means a methodology to be used by the licensee to determine what volumes of applicable balancing services are to be taken into account under the BSC for the purposes of determining in whole or in part the applicable balancing services volume data in any period, which methodology shall cover each of the applicable balancing services which the licensee buys, sells or acquires at the time at which the methodology is established;

"balancing services adjustment data methodology" means a methodology to be used by the licensee to determine what costs and volumes of relevant balancing services are to be taken into account under the BSC for the purposes of determining in whole or in part the imbalance price(s) in any period, which methodology shall cover each of the kinds of balancing services which the licensee buys, sells or acquires, and the mechanisms by which the licensee buys, sells or acquires them, at the time at which the methodology is established.

"imbalance price" means a price, in the BSC, for charging for imbalances as referred to in paragraph 2(b)(ii) of standard condition C3

(Balancing and Settlement Code (BSC));

"relevant balancing services"

means balancing services other than

- (a) those which the licensee has acquired through the mere acceptance of an offer or bid in the balancing mechanism, provided that such offer or bid was not made pursuant to any prior agreement, and
- (b) those which the Authority directs the licensee not to treat as relevant balancing services.

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 [GBnational electricity](#) transmission system,

in accordance with the [National Electricity Transmission System](#) Security and Quality of Supply Standard version [42](#), 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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.

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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 C24: Energy Administration: ~~GBSO~~ National Electricity Transmission System Operator Shortfall Contribution Obligations

1. The purpose of this condition is to require the licensee, in specified circumstances, to modify the charges imposed by it in carrying on its licensed activities (“charges”) to raise such amounts as are specified by the Secretary of State in a shortfall direction:
 - (i) (from the persons; and
 - (ii) in the manner,specified in such shortfall direction, and to pay such amounts to the persons specified in the shortfall direction.
2. Where there is a shortfall during or at the completion of an energy administration, the Secretary of State, after consultation with the Authority and the licensee, may issue one or more shortfall directions (including one or more shortfall directions to modify or replace any previously issued shortfall direction or directions) to the licensee specifying:
 - (a) the amount of the shortfall (including the amount of any interest accruing on the shortfall calculated to the date specified in sub-paragraph (f));
 - (b) the amount to be raised by the licensee and applied in making good the shortfall;
 - (c) the persons to whom the amount referred to in sub-paragraph (b) above is to be paid (“shortfall payment recipients”);
 - (d) the rate or rates of interest applicable to any part or parts of the amount referred to in sub-paragraph (b) above, and any other relevant information to enable the licensee to calculate liability (if any) for payment of any interest in respect of any late payment of such amount to or by the licensee;
 - (e) the method or methods by which the licensee may raise the amount referred to in sub-paragraph (b) above (including, without limitation, the manner in which and persons from whom it is to be raised and whether such amount is to be raised within or outside the licensee’s normal billing cycle);

- (f) the date by which the licensee is required to pay the shortfall payment recipients the amount referred to in sub-paragraph (b) above (or, where payment of the amount is required in instalments, the dates on which the licensee is required to make payment of each instalment);
- (g) where the shortfall includes relevant debts owed to more than one shortfall payment recipient, the priority in which the amount referred to in sub-paragraph (b) above is to be applied in discharging those debts;
- (h) the extent to which a subsequent shortfall direction modifies or replaces a previously issued shortfall direction;
- (i) where a shortfall direction is to modify or replace any previously issued shortfall direction, where appropriate, a requirement not to modify charges further pursuant to paragraph 5 below; and
- (j) the amount the licensee is permitted to raise and retain for administering the mechanism contained in this condition (“permitted administration fee”) and the manner in which the permitted administration fee is to be raised,

and the licensee shall comply with any such shortfall direction.

3. As soon as reasonably practicable after receiving a shortfall direction, the licensee shall:
 - (a) modify its charges (in accordance with any method or methods specified in the shortfall direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue resulting from the modification will equal the amount to be raised by it as specified in the shortfall direction (including, at the licensee’s discretion, any permitted administration fee); and
 - (b) notify the persons who are subject to the charges so modified of:
 - (i) the modifications made to the charges;
 - (ii) any modification to the date or time period within which such charges shall be paid;
 - (iii) the reason for those modifications; and

- (iv) the interest rate applicable to late payment of such modified charges.
4. The licensee shall on or before the date (or dates) specified in the shortfall direction pay the amount raised under sub-paragraph 3(a), (excluding any permitted administration fee), to the shortfall payment recipients, in accordance (where applicable) with any priority set out in the shortfall direction. For the avoidance of doubt the licensee shall not at any time be under any liability:
- (i) to make any payments to any shortfall payment recipient, to the extent that those payments exceed the amount of additional revenue which the licensee has already received pursuant to the modification of its charges in accordance with this condition (excluding any permitted administration fee); or
 - (ii) to pay interest to any shortfall payment recipient in respect of any period for which any payment is late (in whole or in part) where the delay to such payment arises from the late payment of monies to the licensee.
5. Save where the Secretary of State specifies otherwise in a shortfall direction modifying or replacing a previously issued shortfall direction, if the amount raised by the licensee under sub-paragraph 3(a) (excluding any permitted administration fee):
- (a) is less than the amount the licensee is obliged to raise by the shortfall direction to be applied in making good the shortfall (other than as a result of late, partial or non-payment of the modified charges by one or more party subject to those charges), the licensee shall:
 - (i) as soon as reasonably practicable, modify its charges (in accordance with any method or methods specified in the shortfall direction) so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by such modification will equal the amount of that deficit together with any interest as specified in the shortfall direction; and
 - (ii) pay that amount to the shortfall payment recipients as soon as reasonably practicable but otherwise in accordance with the shortfall direction; or
 - (b) is more than the amount the licensee is obliged to raise by the shortfall direction to be applied in making good the shortfall, the licensee shall, as soon as reasonably practicable, further modify its charges so as to secure that, in its reasonable estimation (such estimate to be agreed with the Authority), the change in its revenue effected by

such modification will equal the amount of the excess together with any accrued interest thereon.

6. For the purposes of sub-paragraph 3(a) and paragraph 5:
 - (a) the licensee may modify its charges notwithstanding that it has not given prior notice of such a variation required by any other condition of this licence and/or the CUSC and any charges levied by the licensee after modification pursuant to sub-paragraph 3(a) or paragraph 5 of this condition shall be deemed to be compliant with the licensee's obligations under Condition C4 (Charges for use of system), Condition C5 (Use of system charging methodology) and Condition C13 (Adjustments to use of system charges (small generators)) as from time to time amended;
 - (b) the licensee shall not enter into any agreement with another party which does not permit it to vary its charges in pursuance of this condition and shall take all steps within its power to amend, where necessary, any existing agreement to permit such variation; and
 - (c) in modifying its charges for the purposes of this condition the licensee shall not discriminate between any person or class or classes of person, except in so far as any differences in charges reasonably reflect objective differences between such persons or classes of persons or such differences in charges are required to give effect to the shortfall direction.
7. The licensee shall, immediately after making any payment under paragraphs 4 or 5 above, send a notice to the Authority and to the Secretary of State specifying the amount of that payment, the shortfall payment recipients to whom it was paid, the date on which it was paid and whether any of the payment was made up of interest resulting from late payment.
8. In calculating the licensee's revenue during any period for the purposes of any charge restriction condition, any change in the licensee's revenue attributable to the licensee's compliance with this condition shall be treated as if it had not occurred.
9. The licensee shall prepare, in respect of each period of 12 months ending on 31 March in which its charges are modified in pursuance of sub-paragraph 3(a) or paragraph 5, a statement showing:
 - (a) the aggregate amount of its revenue derived from any modification to charges in pursuance of sub-paragraph 3(a);

- (b) the aggregate amount of its revenue derived from any modification to charges in pursuance of sub-paragraph 5(a);
- (c) the aggregate amount of the change in its revenue resulting from any modification to charges in pursuance of sub-paragraph 5(b); and
- (d) the aggregate payments made by the licensee during that period of 12 months ending on 31 March in accordance with paragraph 4 and, where applicable, sub-paragraph 5(a),

and shall give the statement to the Authority within four months of the expiration of the period to which it relates.

10. On giving the statement mentioned in paragraph 9 to the Authority, the licensee shall also publish it on its website.

11. In this condition:

- (a) any words or expressions used in Chapter 3 of Part 3 of the Energy Act 2004 shall, unless the contrary intention appears, have the same meaning as they do in that Chapter when used in this condition;
- (b) “charge restriction condition” means any condition (including, without limitation, any revenue restriction condition) of this licence which places a monetary limitation on the revenue which may be recovered by the licensee during a given period; and
- (c) “shortfall direction” means a direction issued by the Secretary of State for the purpose of meeting any “relevant debt”, within the meaning given to those words in section 169(4) of the Energy Act 2004 (including (i) any modifications to such direction made by any subsequent shortfall direction or (ii) any shortfall direction replacing a previous shortfall direction).

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 (Requirement to offer terms) that would require the appointment of an offshore transmission owner;
 - (b) any agreement entered into under standard condition C8 (Requirement to offer terms) that requires the appointment of an offshore transmission owner, and
 - (c) any agreed variation to the contractual terms entered into under standard condition C8 (Requirement to offer terms) 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 (Requirement to offer terms) that requires the appointment of an offshore transmission owner.
3. The licensee shall provide to the Authority computer file(s) produced by the licensee that the licensee considers provides an appropriate representation of the national electricity transmission system, for the conditions on the national electricity transmission system relevant to each agreement notified pursuant to paragraph 1(b) and in sufficient detail to enable other parties to undertake offshore transmission system design work.
4. The licensee shall provide to the Authority information describing any other design options considered by the licensee that are relevant to each agreement notified pursuant to paragraph 1(b).
5. The licensee shall provide the information required under paragraphs 1, 2, 3 and 4 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 (Requirement to offer terms).
6. The Authority may require the licensee to provide additional information as the Authority may reasonably require or as may be necessary, for the purposes of appointing an offshore transmission owner. The licensee shall agree with the Authority an indicative timetable for additional information provision during a tender exercise.

7. The licensee shall provide the Authority with assistance in assessing offshore transmission system designs proposed during a tender exercise, equivalent to that provided to other STC parties in respect of an application in accordance with the STC. Such assistance may include (but is not limited to) the licensee:

 - (a) Carrying out an economic impact assessment of proposed offshore transmission designs;
 - (b) Assessing the impact of proposed offshore transmission designs that require a change to the assumptions made by the licensee in preparing the offer made under standard condition C8 (Requirement to offer terms); and
 - (c) Advising on any constraints relevant to the carrying out of the works necessary to connect proposed offshore transmission system designs to the national electricity transmission system.
8. The licensee shall notify the Authority within 10 business days of the completion of any new offshore transmission system.
9. 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.
10. 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.
11. 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 D2: 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-national electricity](#) transmission system and, consistent with such means, providing such information to the system operator.

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-National Electricity Transmission System](#) Security and Quality of Supply Standard version ~~4~~2, 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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 [GBnational electricity](#) 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;

- (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.

6. 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 national electricity 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
 - (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:

(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 sub-paragraph (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 24 months (as two distinct 12 month periods) from the date of the last published accounts.”
 - (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 24 months (as two distinct 12 month periods) from the date of the last published accounts. 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.”

(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 24 months (as two distinct 12 month periods) from the date of the last published accounts.”

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).

5.7. 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:

“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.

8. 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 covenanter ") confirms that the licence holder is both the owner and operator of the transmission system and that the covenanter 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 covenanter (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 covenanter 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) or 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
- (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
- (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 which may include, but is not limited to, providing a security, for example in the form of a deposit or an unconditional irrevocable letter of credit, the latter being exercisable under English law within GB drawn on a bank with a credit rating equivalent to at least “A-“ with a credit rating agency recognised by Ofgem (ie Standard & Poors, Moodys, Fitch) residing in a country with a credit rating of at least “A” to a value equal to twelve months gross operating expenditure. 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: Not Used

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 national electricity 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 national electricity 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 National Electricity Transmission System Security and Quality of Supply Standard version 2, 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 national electricity 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 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 national electricity 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 national electricity 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 national electricity 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 national electricity 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 equal to or in excess of 20 per cent of the original investment cost incurred by the offshore transmission owner in respect of the licensee's transmission system, such amount to be cumulative over the lifetime of the 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 at all times comply with any Section E (offshore transmission owner of last resort) Direction that has been given or varied by the Authority pursuant to this condition and given to the licensee.

2. The Authority may, following consultation with the licensee and any other authorised electricity operator directly affected thereby, give a Section E (offshore transmission owner of last resort) Direction to provide transmission services for a period not exceeding five years where a Section E (offshore transmission owner of last resort) Direction previously given to an offshore transmission owner regarding those assets has expired or is due to expire, or:

(a) if the Authority, following a transitional tender exercise undertaken in accordance with the tender regulations has not been able to determine a person to be granted an offshore transmission licence for the transmission assets to which the transitional tender exercise related; or

(b) if the Authority intends to revoke the transmission licence of an offshore transmission owner; or

(c) if the Authority intends to revoke a Section E (offshore transmission owner of last resort) Direction given to another transmission licensee;

and were the Section E (offshore transmission owner of last resort) Direction not given, it would significantly increase the likelihood that the generating station that is, or is expected to be, connected to the transmission assets would be unreasonably delayed or stranded.

3. The Authority may only give a Section E (offshore transmission owner of last resort) Direction to the licensee if:

(a) it has not already given a Section E (offshore transmission owner of last resort) Direction that is in force to an offshore transmission owner in respect of the offshore transmission assets to which the proposed Section E (offshore transmission owner of last resort) Direction relates;

- (b) it considers that the licensee could comply with the Section E (offshore transmission owner of last resort) Direction without materially prejudicing the licensee's ability to:

 - (i) continue to carry out its activities pursuant to this licence, and
 - (ii) fulfil its contractual obligations under any relevant Codes;
- (c) it is satisfied that the licensee is able to operate the relevant transmission assets in an efficient and economic manner;
- (d) it is satisfied that the licensee will be able to finance the activities which are the subject of obligations to be imposed on it by or by virtue of the Section E (offshore transmission owner of last resort) Direction;
- (e) it is satisfied that the licensee will be able to recover the costs of operating the relevant transmission assets in an economic and efficient manner, including a reasonable rate of return;
- (f) it has given notice to the licensee, pursuant to paragraph 5 of this condition, of its intention to give a Section E (offshore transmission owner of last resort) Direction and specified a reasonable period (not being less than 14 days from the date of publication of the notice) within which the licensee may make representations to the proposed Section E (offshore transmission owner of last resort) Direction; and
- (g) it has considered any representations made by the licensee and not withdrawn.

4. Where there is more than one transmission licensee to whom a Section E (offshore transmission owner of last resort) Direction may be given, the Authority in giving a Section E (offshore transmission owner of last resort) Direction must consider in relation to each transmission licensee:

- (a) the financial, operational and technical standing of the transmission licensee;
- (b) any information provided to the Authority by the transmission licensee in connection with the relevant transmission assets, in particular:

 - (i) in relation to the costs that it expects to incur if it receives a Section E (offshore transmission owner of last resort) Direction;

- (i) that the modifications are made by the Authority in accordance with section 11 of the Act with the consent of the licensee; or
 - (ii) that the modifications are made by the Authority in the form originally proposed by the Authority following a reference to the Competition Commission under section 12 of the Act on the proposed modification of the conditions; or
 - (iii) that the modifications are made by the Authority in such modified form as the Competition Commission may specify following a reference to the Competition Commission under section 12 of the Act on the proposed modification of the conditions.
8. Where the licensee considers that there has been a material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was given to the licensee may at any time apply in writing to the Authority for variation or revocation of the Section E (offshore transmission owner of last resort) Direction setting out a description of:
- (a) the material prejudicial change to the basis on which the Section E (offshore transmission owner of last resort) Direction was made;
 - (b) the impact of the material prejudicial change on the licensee's ability to comply with the Section E (offshore transmission owner of last resort) Direction including the extent to which continuing to comply with the Section E (offshore transmission owner of last resort) Direction adversely affects the licensee's ability:
 - (c) to continue to carry out its activities pursuant to this licence; or
 - (d) to fulfil its contractual obligations under any relevant Codes, and
 - (e) any proposed variations to the Section E (offshore transmission owner of last resort) Direction.
9. Where the licensee has applied for variation or revocation pursuant to paragraph 8 the Authority will consider that application and:
- (a) where that application is rejected by the Authority, the Authority must notify the licensee in writing of its decision not to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision;

(b) where that application is accepted by the Authority, the Authority must

(i) notify the licensee in writing of its decision to vary or as the case may be revoke the Section E (offshore transmission owner of last resort) Direction, and the reasons for its decision; and

(ii) publish a notice to that effect in such manner as the Authority considers appropriate for the purpose of bringing the notice to the attention of persons likely to be affected by giving of the Section E (offshore transmission owner of last resort) Direction.

10. Where the Authority has been able to determine a person, other than the person to whom the Section E (offshore transmission owner of last resort) Direction has been given, to be granted an offshore transmission licence for the transmission assets to which a Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2 relates, it must unless the licensee agrees otherwise revoke the Section E (offshore transmission owner of last resort) Direction issued pursuant to paragraph 2.