

**To:**

The Company Secretary  
National Grid Electricity Transmission plc  
Company number: 02366977  
1-3 Strand  
London  
WC2N 5EH

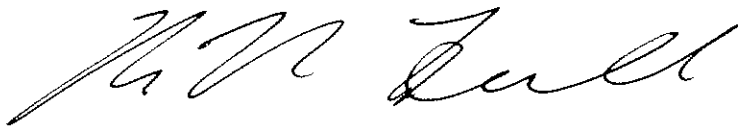
## NOTICE UNDER SECTION 11 OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 11 of the Electricity Act 1989 ("the Act") as follows:

1. The Authority proposes to modify the conditions of the transmission licence ("the licence") treated as granted to National Grid Electricity Transmission plc ("the licensee") under section 61(b) of the Act by adding to the licence Special Condition C4 (Role in respect of the National Electricity Transmission System Operator area located in offshore waters) (the "proposed Condition") as set out in the Schedule to this notice.
2. The proposed Condition requires that the licensee prepares and publishes strategic development information and conduct and performance reports to facilitate the connection of generation stations in offshore waters, and consistent with its duty, as set out in section 9 of the Act, to develop and maintain an efficient, co-ordinated and economical system of electricity transmission.
3. The proposed Condition also requires the licensee to produce offshore conduct and performance reports which relate to the licensee's performance as offshore system operator, in a form and content approved by the Authority.
4. The reasons why the Authority proposes to make these licence modifications are that, the Secretary of State recently extended the scope of the licence offshore using powers in the Energy Act 2004 and that the Authority considers that the provision by the licensee of future strategic development information and conduct and performance reports will inform generating station development and facilitate the development by the licensee of an efficient, co-ordinated and economical system of offshore transmission systems
5. The effect of the proposed modifications is to oblige the licensee to make available in respect of the transmission system, development information and statements, and conduct and performance reports that will facilitate planned generating station development in offshore waters.
6. These changes are in line with our statement in the consultation document Government Response to Offshore Electricity Transmission – A Further Joint Ofgem/DECC Regulatory Policy Update (23 March 2009), specifically that the licensee's planning statements should be 'appropriate to assist developers, OFTOs and other stakeholders in planning for future development'.
7. Any representations or objections to the proposed licence modifications must be made in writing on or before 10 August 2009 and sent to:

Sam Cope  
Office of Gas and Electricity Markets  
9 Millbank  
London  
SW1P 3GE  
or by email to [sam.cope@ofgem.gov.uk](mailto:sam.cope@ofgem.gov.uk)

8. All responses will be published on the Ofgem website and retained in the Ofgem Research and Information Centre, and if a respondent does not wish its response or parts of its response to be published, it should clearly mark the response or the relevant parts 'not for publication'.

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

**Robert Hull**  
**Director, Regulatory Services**  
**Authorised on behalf of the Authority**  
**13 July 2009**

## **SCHEDULE**

### **Special Condition C4: Role in respect of the national electricity transmission system operator area located in offshore waters**

#### **Part A: Purpose**

1. The purpose of this condition is to ensure that the licensee prepares and publishes future development information and conduct and performance reports to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission.

#### **Part B: Initial Offshore development information statement**

2. The licensee shall by no later than 31 December 2009, or such later date that the Authority may direct, use reasonable endeavours to prepare and publish a statement of network development information ("the initial offshore development information statement") showing potential scenarios and the licensee's best view of the development of the national electricity transmission system, in respect of the national electricity transmission system operator area located in offshore waters, taking account of:
  - (a) the likely development of the onshore transmission system;
  - (b) the likely capacity, location and timing of planned generator developments in offshore waters; and
  - (c) other relevant economic and technical factors.
3. The initial offshore development information statement shall be prepared with the objective of facilitating the development, within the national electricity transmission system operator area, of an efficient, co-ordinated and economical system of electricity transmission.
4. For the purposes of preparing the initial offshore development information statement, the licensee shall identify reasonable future scenarios and each future scenario shall include a description of the key assumptions made by the licensee in developing each scenario, including, but not limited to:
  - (a) the capacity, location and timing of connections of generator developments in offshore waters, having regard to information generally available in the public domain as well as such information, if any, made available to the licensee for use in the offshore

development information statement by interested parties with respect to planned generator developments in offshore waters;

- (b) the wider development of the national electricity transmission system, having regard to the licensee's investment plans and investment plan information provided by other licensees (including but not limited to transmission licensees);
  - (c) the plant and equipment that the licensee considers would reasonably be available to offshore transmission owners; and
  - (d) the data required to model each of the future scenarios.
5. The licensee shall publish the initial offshore transmission development information statement in such form that it considers will provide such information about transmission system connection opportunities that interested parties might reasonably require to plan generator developments in offshore waters in a manner consistent with:
- (a) facilitating the development, within the national electricity transmission system operator area, of an efficient, co-ordinated and economical system of electricity transmission; and
  - (b) facilitating the communication of the relevant information regarding the development of that part of the national electricity transmission system located in offshore waters to interested parties in a transparent manner.

**Part C: Enduring offshore development information statement**

6. The licensee shall by no later than 30 September 2010 (or such later date as the Authority may direct) and by 30 September (or such later date as the Authority may direct) in each financial year thereafter, use reasonable endeavours to prepare and publish a statement of network development information ("the enduring offshore development information statement") showing potential scenarios and the licensee's best view of the development of the national electricity transmission system, in respect of the national electricity transmission system operator area located in offshore waters, taking account of:
- (a) the likely development of the onshore transmission system;
  - (b) the likely capacity, location and timing of planned generator developments in offshore waters; and
  - (c) other relevant economic and technical factors

7. The enduring offshore development information statement shall be prepared with the objective of facilitating the development, within the national electricity transmission system operator area, of an efficient, co-ordinated and economical system of electricity transmission (the “co-ordinated development objective”).
8. The licensee shall prepare the enduring offshore development information statement in accordance with the requirements of paragraph 6 and publish that statement in a form approved by the Authority pursuant to paragraph 12.
9. The licensee shall not less than once in each year (and at such other times as the Authority may direct), in consultation with interested parties, review the most recent enduring offshore development information statement published pursuant to paragraph 6. The licensee shall provide to the Authority, no later than 14 days after it has completed its consultation, copies of all of the responses that it has received in response to any consultation pursuant to this paragraph.
10. The licensee
  - (a) may following any review undertaken in accordance with paragraph 9 propose revisions to the form of the enduring offshore development information statement and the scope of the future scenarios presented within the enduring offshore development information statement; and
  - (b) shall provide a report to the Authority setting out the proposed revisions to the form of the enduring offshore development information statement and the scope of the future scenarios presented within the enduring offshore development information statement (if any) that it considers would better meet the co-ordinated development objective.

#### Form of the Offshore Development Information Statement

11. The licensee shall submit for approval the proposed form of the enduring offshore development information statement to be published in the financial year commencing 1 April 2010 to the Authority by no later than 1 March 2010 and submit to the Authority for approval any proposed revisions to the form of the enduring offshore development information statement by no later than 1 March in each subsequent financial year thereafter or at such other date as directed by the Authority.
12. The Authority may,

- (a) within 28 days of receipt of the licensee's proposals pursuant to paragraph 11, give a direction to the licensee that the proposed form of the enduring offshore development information statement or the proposed revisions to the form of the enduring offshore development information statement requires further development; and
  - (b) subsequently, following consultation with the licensee and other interested parties, direct the areas in which the licensee shall be required to make revisions to the licensee's proposals pursuant to this paragraph and the date by which the licensee shall be required to submit a revised form of the enduring offshore development information statement to the Authority for approval.
13. If within 28 days of receipt of the licensee's proposals pursuant to paragraph 11 the Authority has not given a direction to the licensee pursuant to paragraph 12, the form of the enduring offshore development information statement proposed by the licensee will be deemed to be approved by the Authority.

Future scenarios

14. The licensee shall, in consultation with interested parties, produce a reasonable number of future scenarios that it proposes to include these within the offshore development statement prepared and published pursuant to paragraph 6.
15. Each future scenario shall include a description of the key assumptions made by the licensee in developing each scenario, including, but not limited to:
- (a) the capacity, location and timing of connections of generator developments in offshore waters, having regard to information generally available in the public domain as well as such information, if any, made available to the licensee for use in the offshore development information statement by interested parties with respect to planned generator developments in offshore waters;
  - (b) the wider development of the national electricity transmission system, having regard to the licensee's investment plans and investment plan information provided by other licensees (including but not limited to transmission licensees);
  - (c) the plant and equipment that the licensee considers would reasonably be available to offshore transmission owners; and
  - (d) the data required to model each of the future scenarios.

16. The licensee's consultation pursuant to paragraph 14 shall:
- (a) describe and justify each of the future scenarios, with respect to the development of the national electricity transmission system, that it proposes to include in the offshore development information statement;
  - (b) outline its proposed approach to modelling the proposed future scenarios;
  - (c) define any additional information from interested stakeholders that the licensee considers may assist in the preparation of the offshore development information statement; and
  - (d) allow a period of not less than 56 days for responses in respect of the proposed future scenarios.
17. The licensee shall finalise its proposed future scenarios that it intends to model for the purposes of preparing and publishing the enduring offshore development information statement pursuant to paragraph 6, taking account of the views expressed by interested parties in response to the consultation pursuant paragraph 14.
18. The licensee shall submit the proposed future scenarios to the Authority by no later than 1 June 2010 and shall submit any proposed revisions to the scope of the future scenarios to the Authority by no later than 1 June in each subsequent financial year thereafter.
19. The Authority may, within 28 days of receipt of the licensee's proposals pursuant to paragraph 18, give a direction to the licensee that the proposed future scenarios require further development, if the Authority is not satisfied that the proposed future scenarios would facilitate achievement of the co-ordinated development objective. The Authority may subsequently, following consultation with the licensee and other interested parties, direct the areas in which the licensee shall be required to make revisions to the licensee's proposals pursuant paragraph 18 and the date by which the licensee shall be required to submit those further revisions to the proposed future scenarios to the Authority.

Preparation of the enduring offshore development information statement

20. The licensee shall prepare the offshore development information statement using the future scenarios, in such a form that:
- (a) sets out the licensee's best view of the design and technical characteristics of the development of the national electricity transmission system in respect of the national electricity transmission system operator area located in offshore waters, considering:

- (i) the likely location of feasible connection points for new offshore transmission systems to the existing national electricity transmission system;
    - (ii) to the extent that information is available to the licensee, possible routing options for new transmission circuits in that might be used to connect generating stations in offshore waters to the existing national electricity transmission system,
  - (b) sets out the licensee's best view of the potential reinforcements to the national electricity transmission system that may be required to connect generator developments in offshore waters;
  - (c) provides the licensee's best estimates of the costs associated with connecting generator developments in offshore waters; and
  - (d) provides such other such information about transmission system connection opportunities that interested parties might reasonably require to plan generator developments in offshore waters in a manner consistent with:
    - (i) the licensee's co-ordination development objective set out in paragraph 8; and
    - (ii) facilitate the communication of the relevant information regarding the development of that part of the national electricity transmission system located in offshore waters to interested parties in a transparent manner (the "transparency objective");
- collectively, "the offshore development information objectives".

**Part D: Offshore transmission report**

21. The licensee shall until 31 March 2012, (or such earlier date as the Authority may direct) report to the Authority information relating to activities undertaken pursuant to this licence in respect of the national electricity transmission system located in offshore waters (the "offshore transmission report").
22. The Authority may, following consultation with the licensee, no later than 30 September 2009 issue a direction to the licensee as to the form and content of the report referred to in paragraph 21 and the frequency with which the licensee shall make the report (being no more than 30 days).
23. The licensee may request a review of any direction issued by the Authority pursuant to paragraph 22 or a variation to a direction issued by the Authority pursuant to paragraph 22.

24. The offshore transmission report shall be designed to facilitate monitoring and assessment of the conduct and performance of the licensee in relation to:
- (a) the licensee's compliance with its licence in respect of the national electricity transmission system operator area located in offshore waters; ("compliance with relevant duties measure");
  - (b) the licensee's performance in respect of the national electricity transmission system operator area located in offshore waters in developing and facilitating the development of an efficient, co-ordinated and economical system of electricity transmission ("co-ordinated development measure");
  - (c) the additional costs incurred by the licensee in complying with its licence in respect of the national electricity transmission system operator area located in offshore waters ("financial performance measure"), and
  - (d) details of any complaints made by interested parties to the licensee in respect of its performance under this licence in respect of the national electricity transmission system operator area located in offshore waters and of the actions taken by the licensee to resolve any complaints raised ("customer satisfaction measure").
25. The licensee shall until 31 March 2012 (or such earlier date as the Authority may direct), provide to the Authority, by 1 December 2009 and by 1 December in each financial year thereafter, a certificate signed by the Responsible Director for system operation certifying that the information in the offshore transmission report is fair and accurate.
26. The Authority may direct the licensee to engage external auditors to audit and prepare a report on whether, in their opinion, the information contained in the offshore transmission report is fair and accurate ("the audit report").
27. For the purposes of preparing the audit report referred to in paragraph 26, the licensee shall secure that the external auditors have reasonable access to its premises, staff and information systems.
28. The licensee shall submit any audit report prepared in accordance with paragraph 26 to the Authority within 14 days of receipt of the audit report by the licensee from the external auditors.

29. In this condition:

interested parties

Shall mean authorised electricity operators, potential offshore transmission owners, The Crown Estate, other Government bodies and institutions with an interest in the development of the national electricity transmission system in respect of the parts of the national electricity operator area located in offshore waters.

