

THE ELECTRICITY ACT 1989
MODIFICATION PURSUANT TO SECTION 11
AND
NOTICE OF REASONS FOR MODIFICATION PURSUANT TO SECTION 49A
THE TRANSMISSION LICENCE OF NATIONAL GRID ELECTRICITY
TRANSMISSION PLC

WHEREAS

1. National Grid Electricity Transmission plc holds a transmission licence (the "Licence") treated as granted by the Gas and Electricity Markets Authority (the "Authority") under section 6 of the Electricity Act 1989 (the "Act").
2. In accordance with section 11 of the Act, the Authority gave notice on 13 July 2009 on the Ofgem website (www.ofgem.gov.uk) (the "Notice") that it proposed to modify the Licence by adding to it, Special Condition C4 (Role in respect of the National Electricity Transmission System Operator Area located in offshore waters) and the Authority specified that any representations or objections to the proposed modifications to the Condition must be made on or before 10 August 2009.
3. In accordance with section 11 of the Act the Authority served a copy of the notice on the Licensee and sent a copy of the notice to the Secretary of State and did not receive by 10 August 2009 or at all, a direction from the Secretary of State not to make any modification.
4. By 10 August 2009, the Authority had received one representation (from the Licensee) but no objection to the notice.
5. In its representation the Licensee accepted the modification but suggested drafting changes to improve the clarity of the obligations to be imposed on National Grid Electricity Transmission; and clarify the procedure to be followed in the event of a revision to the reporting obligations under the Condition.
6. The Authority has carefully considered the Licensee's representation and the Authority notes that aspects of the Licensee's representation make the Condition more concise without diminishing its substance or content or intent; and the Authority has accepted and reflected those aspects in the revised drafting of the Condition which is annexed herewith.
7. The Licensee consented in writing on 10 August 2009 to the making of the modification by the Authority.
8. The reason for the decision of the Authority to modify the Licence is that the Authority considers that the provision by the Licensee of future strategic information and conduct and performance reports will inform generating station development and facilitate the development by the Licensee of a coordinated and efficient system of electricity transmission.

NOW THEREFORE

In accordance with its powers under section 11 of the Act the Authority **HEREBY MODIFIES** the Licence treated as granted under section 6 of the Act to National Grid Electricity Transmission plc by adding to the Licence Special Condition C4 (Role in respect of the National Electricity Transmission System Operator Area located in offshore waters) as set out in the attached Schedule **WITH EFFECT** on and from 14 August 2009.

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

Dated the 14 day of August 2009.

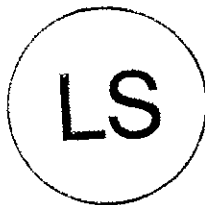
The official seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of

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

Robert Hull

Director, Regulatory Services

Authorised on behalf of the Authority



**SCHEDULE
TO
MODIFICATION PURSUANT TO SECTION 11
AND
NOTICE OF REASONS FOR MODIFICATION PURSUANT TO SECTION 49A
THE TRANSMISSION LICENCE OF NATIONAL GRID ELECTRICITY
TRANSMISSION PLC**

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 prepares 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").
3. The initial offshore development information statement shall be prepared in such a form and manner as is necessary to facilitate the development by the licensee in offshore waters, of an efficient, co-ordinated and economical system of electricity transmission ("the co-ordinated development objective") and in accordance with the offshore development information objectives.
4. For the purposes of preparing the initial offshore development information statement, the licensee shall identify a reasonable number of future scenarios. Each such future scenario shall include a description of the key assumptions made by the licensee in developing it, including, but not limited to:
 - (a) the capacity, location and timing of the connection of generating stations to be developed 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 initial offshore development information statement by interested parties with respect to generating stations planned to be developed 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 authorised electricity operators;
 - (c) the plant and equipment that the licensee considers would reasonably be available to offshore transmission owners; and
 - (d) the data used by the licensee to model each of the future scenarios.
- 5. The licensee shall publish the initial offshore development information statement on its website in such readily accessible form and manner that it considers will facilitate the achievement of the co-ordinated development objective and the offshore development information objectives, and must give a copy of the statement on request and free of charge to any person who asks for one.

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") in a form approved by the Authority pursuant to paragraph 12.:
- 7. The enduring offshore development information statement shall be prepared in such a form and manner as is necessary to facilitate the achievement of the co-ordinated development objective and in accordance with the offshore development information objectives.
- 8. The licensee shall not less than once in each financial 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 prepared and published pursuant to paragraph 6. The licensee's consultation with interested parties shall describe any additional information which, if it were to be received from interested parties, the licensee considers may assist it in the preparation of the enduring offshore development information statement. 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 to any consultation undertaken pursuant to this paragraph.
- 9. The licensee:

- (a) may, following any review undertaken in accordance with paragraph 8, propose revisions to the form of the enduring offshore development information statement and the future scenarios presented within the enduring offshore development information statement if it considers that such revisions would better facilitate achievement of the co-ordinated development objective and the offshore development information objectives; and
- (b) shall provide a report to the Authority setting out any revisions to the form of the enduring offshore development information statement in accordance with paragraph 10.

Form of the Enduring Offshore Development Information Statement

- 10. The licensee shall submit to the Authority for approval the proposed form of the enduring offshore development information statement to be published in the financial year commencing 1 April 2010 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.
- 11. The Authority may:
 - (a) within 28 days of receipt of the licensee's proposals pursuant to paragraph 10, 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 proposed form of the enduring offshore development information statement 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.
- 12. If within 28 days of receipt of the licensee's proposals pursuant to paragraph 10 the Authority has not given a direction to the licensee pursuant to paragraph 11, the form of the enduring offshore development information statement proposed by the licensee will be deemed to have been approved by the Authority.
- 13. The licensee shall publish the enduring offshore development information statement on its website in such readily accessible form and manner that it considers will facilitate the achievement of the co-ordinated development objective and the offshore development

information objective, and must give a copy of the statement on request and free of charge to any person who asks for one.

Future scenarios

14. The licensee shall, in consultation with interested parties, prepare a reasonable number of future scenarios that it proposes to include within the enduring offshore development statement.
15. Each future scenario prepared for the purposes of paragraph 14 shall include a description of the key assumptions made by the licensee in developing it, including, but not limited to:
 - (a) the capacity, location and timing of the connection of generating stations to be developed 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 enduring offshore development information statement by interested parties with respect to generating stations planned to be developed 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 authorised electricity operators;
 - (c) the plant and equipment that the licensee considers would reasonably be available to offshore transmission owners; and
 - (d) the data used by the licensee 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, including describing the approach it has taken to model the future scenarios;
 - (b) describe any additional information from interested parties that the licensee considers may assist it in the preparation of the future scenarios; and
 - (c) allow a period of not less than 56 days for responses.
17. The licensee shall finalise the future scenarios that it proposes to use in the preparation of the enduring offshore development information statement it prepares pursuant to paragraph 6, taking account of the views expressed by interested parties in response to the consultation undertaken by the licensee pursuant paragraph 14.

18. The licensee shall submit the future scenarios that it proposes to include in the enduring offshore development information statement to the Authority by no later than 1 June 2010 and shall submit any revisions to the future scenarios it proposes to the Authority by no later than 1 June in each subsequent financial year (or such other date as the Authority may direct).
19. The Authority may, within 28 days of receipt of the future scenarios pursuant to paragraph 18, issue a direction to the licensee that the future scenarios proposed by the licensee require further development if the Authority is not satisfied that the future scenarios proposed by the licensee would facilitate the achievement of the co-ordinated development objective and the offshore development information objectives. 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 future scenarios and any further consultation with interested parties that the licensee shall be required to undertake together with the date by which the licensee shall be required to submit those further revisions to the future scenarios to the Authority.

Part D: Preparation of the initial offshore development information statement and the enduring offshore development information statement

20. The licensee shall prepare the initial offshore development information statement and the enduring offshore development information statement using the future scenarios, in such a form that:
 - (a) it considers will transparently provide such information about opportunities to obtain connection to the national electricity transmission system that interested parties might reasonably require in relation to the development of that part of the national electricity transmission system located in offshore waters consistently with the coordinated development objective;
 - (b) 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 that part of the national electricity transmission system operator area located in offshore waters, considering:
 - (i) the likely development of the national electricity transmission system onshore;
 - (ii) the likely capacity, location and timing of the development of generating stations in offshore waters;

- (iii) the likely location of feasible connection points for new offshore transmission systems to the national electricity transmission system;
- (iv) 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 national electricity transmission system;
- (c) sets out the licensee's best view of the potential reinforcements to the national electricity transmission system that may be required to connect generating stations that are developed in offshore waters;
- (d) provides the licensee's best estimates of the costs associated with connecting generating stations that are developed in offshore waters;
- (e) provides such other such information about transmission system connection opportunities that interested parties might reasonably require to plan the development of generating stations in offshore waters; and
- (f) other economic and technical factors which the licensee considers to be relevant

collectively, "the offshore development information objectives".

Part E: Offshore transmission report

21. The licensee shall until 31 March 2012, (or such earlier date as the Authority may direct) deliver a report (the "offshore transmission report") to the Authority containing information relating to the licensee's activities undertaken pursuant to this licence in respect of that part of the national electricity transmission system located in offshore waters.
22. The Authority shall, 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 offshore transmission report and the frequency with which the licensee shall deliver the offshore transmission report to the Authority (being not more frequently than one report in each month).
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. If, having considered the representations made by the licensee in such a request, the Authority considers that it is appropriate that the form and content of the offshore transmission report and/or the frequency with which the licensee shall deliver the offshore transmission report to the Authority should be varied, the Authority may issue a further direction to the licensee

varying the form and content of the offshore transmission report and/or the frequency with which the licensee shall be required to deliver the offshore transmission report to the Authority. The Authority may not direct that the licensee shall deliver the offshore transmission report to it more frequently than once in each month.

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 this licence in respect of that part of the national electricity transmission system operator area located in offshore waters;;
 - (b) the licensee's performance in respect of that part 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;
 - (c) the additional costs incurred by the licensee in complying with its licence in respect of the that part of national electricity transmission system operator area located in offshore waters ; and
 - (d) details of any complaints made by interested parties to the licensee in respect of its performance under this licence in respect of that part 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.
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 (appointed pursuant to Special Condition C2 (Separation of National Grid Electricity Transmission plc and Relevant Offshore Transmission Interests) certifying that the information in the offshore transmission reports delivered to the Authority in the previous twelve months is fair and accurate.
26. The Authority may direct the licensee to engage an external reviewer to review and prepare a report on whether, in its opinion, the information contained in the offshore transmission report is fair and accurate ("the review report").
27. For the purposes of preparing the review report, the licensee shall secure that the external reviewer has reasonable access to its premises, staff and information systems.

28. The licensee shall submit each review report to the Authority within 14 days of receipt of the review report by the licensee from the external reviewer.

29. In this condition:

“interested parties”

includes authorised electricity operators, potential offshore transmission owners, the Crown Estate, 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.