

**ELECTRICITY ACT 1989
SECTION 11A**

**MODIFICATION PURSUANT TO SECTION 11A OF THE ELECTRICITY ACT 1989 OF
STANDARD LICENCE CONDITION C16 OF THE TRANSMISSION LICENCES
GRANTED OR TREATED AS GRANTED UNDER SECTION 6(1)(b) OF THE
ELECTRICITY ACT 1989**

Whereas –

1. Each of the companies to whom this Modification is addressed holds an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act") .
2. In accordance with section 11A(3) and (4) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 25 August 2009 ("the Notice") that it proposed to make modifications to Standard Licence Condition C16 'Procurement and use of balancing services' ("SLC C16") of the Licence and required any objections or representations to the modification to be made on or before 23 September 2009.
3. In accordance with section 49A of the Act, the reasons for making the licence modifications are those stated in the Notice.
4. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.
5. Prior to the close of the consultation period in respect of the Notice, the Authority received no responses that constituted a formal objection from the relevant licence holder. All non-confidential responses have been placed in the Ofgem library and on the Ofgem website.
6. The Authority has carefully considered in relation to the proposed modification all representations received.

Now therefore

In accordance with the powers contained in section 11A of the Act, the Authority hereby modifies SLC C16 of the Licence in the manner specified in the Schedule to this Modification with effect on and from 5 October 2009.

**The Official Seal of the Gas and Electricity Markets Authority here affixed is
authenticated by the signature of Ian Marlee**

.....
Ian Marlee
Partner, Trading Arrangements
Duly Authorised on behalf of the Authority 5 October 2009

SCHEDULE

MODIFICATION OF STANDARD LICENCE CONDITIONS C16 OF THE ELECTRICITY TRANSMISSION LICENCE UNDER SECTION 11A OF THE ELECTRICITY ACT 1989

1. In Standard Licence Condition C16: Procurement and use of balancing services:

(a) After paragraph 6, insert the following:

"6A. (a) This paragraph applies to the extent that the BSC provides that the licensee shall be required to identify balancing services which relate to system management.

(b) Where this paragraph applies, the licensee shall, before 5 November 2009, in writing:

- (i) establish a system management action flagging methodology approved by the Authority; and
- (ii) prepare a statement of the prevailing system management action flagging methodology as approved by the Authority

and at all times thereafter use its reasonable endeavours to identify the balancing services which the BSC requires it to identify as relating to system management in accordance with the prevailing system management action flagging methodology and provide records (for use under the relevant provisions of the BSC) of those balancing services which the BSC requires shall be taken into account in determining imbalance price(s).

- (c) The licensee shall, if so directed by the Authority or when it considers that any modification should be made to the statement referred to in sub-paragraph 6A(b)(ii) more accurately to identify the balancing services which relate to system management, review the statement prepared pursuant to sub-paragraph 6A(b)(ii) 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."

(b) Insert in paragraph 8(a) ", 6A(b)(ii)" after "6(b)(iii)"

(c) Insert in paragraph 8(b) ", 6A(b)(ii)" after "6(b)(iii)"

(d) Insert in paragraph 10 ", 6A" after "6"

(e) Insert in paragraph 11(a) ", 6A(b)(ii)" after "6(b)(iii)"

(f) Insert in paragraph 11(b) ", 6A" after "6"

(g) Insert in paragraph 15 the following definitions:

To be inserted before
"applicable balancing
services":

<p>" "adverse effects"</p> <p>To be inserted after "imbalance price":</p>	<p>means any impact on the continued stability of operation of the national electricity transmission system including, but not limited to, any effect on the frequency or voltage of the electricity transmitted on all or any part of the national electricity transmission system;"</p>
<p>" "interconnected TSO"</p> <p>To be inserted after "relevant balancing services":</p>	<p>means the operator of any transmission system outside of the national electricity transmission system operator area whose transmission system is connected to the national electricity transmission system by one or more interconnectors (irrespective of the ownership of those interconnectors);"</p>
<p>" "system management"</p>	<p>means:</p> <ul style="list-style-type: none"> (a) the licensee's management of transmission constraints; (b) the licensee's management of adverse effects on the national electricity transmission system arising from changes in electrical flows over any interconnector which are not the result of actions taken by an interconnected TSO; and (c) actions by any interconnected TSO which have an effect on the national electricity transmission system;
<p>"system management action flagging methodology"</p>	<p>means a methodology to be used by the licensee which, in the licensee's opinion, will enable it to use reasonable endeavours to identify those balancing services which the BSC requires it to identify as relating to system management;</p>

“transmission constraint”

means any limit on the ability of the national electricity transmission system, or any part of it, to transmit the power supplied onto the national electricity transmission system to the location where the demand for that power is situated, such limit arising as a result of any one or more of:

- (a) the need not to exceed the thermal rating of any asset forming part of the national electricity transmission system;
- (b) the need to maintain voltages on the national electricity transmission system; and
- (c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the national electricity transmission system

and used by the licensee to operate the national electricity transmission system in accordance with the National Electricity Transmission System Security and Quality of Supply Standard referred to in standard condition C17 (Transmission system security standard and quality of service) or any other provision of the Act, this licence or any other requirement of law.”