

**TRANSMISSION LICENCE OF SCOTTISH HYDRO-ELECTRIC
TRANSMISSION LIMITED**

ANNEXE 2

**SCOTTISH HYDRO-ELECTRIC TRANSMISSION LIMITED TRANSMISSION
LICENCE**

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
Scottish Hydro Transmission Limited (company number SC213461): Special Conditions Consolidated – 31
March 2010

PART I. TERMS OF THE LICENCE

1. This licence, treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act"), authorises Scottish Hydro-Electric Transmission Limited (a company registered in Scotland under number SC213461 ("the licensee") whose registered office is situated at Inveralmond HS, 200 Dunkeld Road, Perth, Perthshire PH1 3AQ, to participate in the transmission of electricity for the purpose of giving a supply to any premises or enabling a supply to be so given in the area specified in Schedule 1 during the period specified in paragraph 3 below, subject to -
 - (a) the standard conditions of electricity transmission licences referred to in -
 - (i) paragraph 1 of Part II below which shall have effect in the licence; and
 - (ii) paragraph 2 of Part II below which shall have effect in the licence only in accordance with the provisions of standard conditions A2 and A3 respectively,

in each case, subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the Special Conditions");
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the Special Conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act the Special Conditions or the conditions.
3. This licence, unless revoked in accordance with the terms of Schedule 2, shall continue until determined by not less than 25 years' notice in writing given by the Authority to the licensee.
4. The provisions of section 109(1) of the Act (Service of documents) shall have effect as if set out herein and as if for the words "this Act" there were substituted the words "this licence".

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5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Parts I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence -
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

Pursuant to a licensing scheme made by the Secretary of State under Part II of Schedule 7 to the Utilities Act 2000 on 28th September 2001 this licence was made and is treated as granted under section 6(1)(b) of the Electricity Act 1989.

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PART II. THE STANDARD CONDITIONS

1. Standard conditions in effect in this licence

Section A	Section B
Standard Condition A1	Standard Condition B1
Standard Condition A2	Standard Condition B2
Standard Condition A3	Standard Condition B3
Standard Condition A4	Standard Condition B4
	Standard Condition B5
	Standard Condition B6
	Standard Condition B7
	Standard Condition B8
	Standard Condition B9
	Standard Condition B10
	Standard Condition B11
	Standard Condition B12
	Standard Condition B13
	Standard Condition B14

Section D	
Standard Condition D1	
Standard Condition D2	
Standard Condition D3	
Standard Condition D4A	
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Standard Condition D15	

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2. Standard conditions not in effect in this licence

Section C	
Standard Condition C1	
Standard Condition C2	
Standard Condition C3	
Standard Condition C4	
Standard Condition C5	
Standard Condition C6	
Standard Condition C7	
Standard Condition C8	
Standard Condition C9	
Standard Condition C10	
Standard Condition C11	
Standard Condition C12	
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Standard Condition C14	
Standard Condition C15	
Standard Condition C16	
Standard Condition C17	
Standard Condition C18	
Standard Condition C20	
Standard Condition C21	
Standard Condition C22	
Standard Condition C23	

Note: A copy of the current standard conditions of electricity transmission licences can be inspected at the principal office of the Authority. The above lists are correct at the date of this licence but may be changed by subsequent amendments or modifications to the licence. The authoritative up-to-date version of this licence is available for public inspection at the principal office of the Authority.

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Special Condition J1 - Restriction of Transmission Charges (Definitions)

1. In this condition and in special conditions J2 to J11 inclusive and in schedule A to C:

“allowed pass-through items” means the items referred to in special condition J4 (Restriction of transmission charges: Allowed pass-through items).

“allowed transmission owner revenue” means:

Comment [W1]: Applicable year updated to 2012

(a) in the relevant year commencing 1 April 2012 and every subsequent relevant year the revenue calculated in accordance with the formula set out in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services); and

(b) in the relevant year preceding 1 April 2007, the revenue calculated in accordance with the formula set out in paragraph 1 of special condition J (Restriction of transmission charges) of this licence in the form in which it was in force at 31 March 2007.

"average specified rate" means the average of the daily base rates of Barclays Bank plc current from time to time during the period in respect of which the calculation falls to be made.

“base transmission revenue” means the revenue calculated in accordance with the formula set out in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services).

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“BETTA”	means the British electricity trading and transmission arrangements which are provided for in Chapter 1 of Part 3 of the Energy Act 2004
" charge restriction conditions"	means Special Conditions J1 to J11 inclusive together with Schedules A to C to this licence, as from time to time modified or replaced in accordance with the provisions of the Act.
"excluded services"	means those services provided by the licensee as part of its transmission business which in accordance with the principles set out in Part A of Schedule A (Supplementary provisions of the charge restriction conditions), fall to be treated as excluded services.
“interruption payment”	shall, for the purposes of paragraph 10 and 11 of special condition J4 (Restriction on Transmission Charges: Allowed Pass-through Items), have the same meaning as set out in section 11 of the Connection and Use of System Code provided for in paragraph 2 of standard condition C10.
“logged up costs”	means: <ul style="list-style-type: none"> <li style="margin-bottom: 10px;">(a) for the purposes of paragraphs 3 and 4 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services), those capital expenditure and operating expenditure costs incurred by the licensee in respect of those items referred to in those paragraphs; and (b) for the purposes of paragraphs 3 and 7 of special condition J7 (Capital Expenditure

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Incentive and Safety Net), the capital expenditure incurred by the licensee in respect of those items referred to in those paragraphs.

"metered"

means in relation to any quantity of units of electricity transmitted, as measured by a meter installed for such purpose or (where no such meter is installed) as otherwise reasonably calculated.

"network rates"

means:

(a) in England and Wales, the rates payable by the licensee in respect of hereditaments on the Central Rating Lists (England and Wales) compiled under section 52 of the Local Government Finance Act 1988; and

(b) in Scotland, the rates payable by the licensee in respect of any land and heritages on the Valuation Rolls compiled under the Local Government Scotland Act 1975, the Local Government etc (Scotland) Act 1994, or any legislation amending or replacing those enactments

"notified value"

means, in relation to any term, such value as the Secretary of State shall ascribe to that term in a written notice given to the licensee as soon as practicable after the date of grant of this licence.

"outage change"

has the meaning given in Schedule A.

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"regulated transmission revenue"	means the revenue (measured on an accruals basis) derived from the provision of transmission owner services (including to any separate business, other than the transmission business) in the relevant year, after deduction of value added tax (if any) and any other taxes based directly on the amounts so derived.
"relevant year"	means a financial year commencing on or after 1 April 1990.
"relevant year t"	means that relevant year for the purposes of which any calculation falls to be made.
"relevant year t-1"	means the relevant year immediately preceding relevant year t or, in respect of the period prior to 1 April 1990, the period of 12 calendar months commencing on 1 April 1989; and similar expressions shall be construed accordingly.
TIRG relevant year t_i	<p>means, in relation to each transmission investment project i specified in Schedule C, the relevant year in which a revenue allowance falls to be made under Special Condition J3 (Restriction of transmission charges: Transmission Investment for Renewable Generation) with respect to that transmission investment project i:</p> <p>(a) $t=p$ means the relevant year commencing on 1 April 2005;</p> <p>(b) $t=p$ to $t=-1$ means the preconstruction period (where $p \leq -1$);</p> <p>(c) $t=0$ means the relevant year in which</p>

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construction of that transmission project i commences;

(d) $t=0$ to $t=n$ means the construction period;

(e) $t=n$ means the relevant year in which that transmission investment project i is commissioned;

(f) $t=n+1$ means the relevant year in year 1 post commissioning period for that transmission investment project i and similar expressions shall be construed accordingly.

"transmission owner services" means all services provided as part of the transmission business other than excluded services.

"unit" means a kilowatt hour.

Special Condition J2 - Restriction of transmission charges : revenue from transmission owner services

- 1 The purpose of this condition is to establish the charge restriction that determines the allowed transmission owner revenue that the licensee may earn from its transmission owner services.

Part A: Transmission Owner Revenue Restriction

- 2 The licensee shall take all appropriate steps within its power to ensure that in any relevant year t, regulated transmission revenue shall not exceed the allowed transmission owner revenue calculated in accordance with the formula given in paragraph 3 below.

Formula for Allowed Transmission Owner Revenue (TO_t)

- 3 In respect of the relevant year commencing 1 April 2012 and each subsequent relevant year t, allowed transmission owner revenue shall be calculated in accordance with the following formula:

Comment [W2]: Date updated

$$TO_t = PR_t + TIRG_t + PT_t + IP_t + CxIncRA_t + IE_t + LC_t + TOInc_t - K_t$$

where:

TO_t means allowed transmission owner revenue in the relevant year t.

PR_t means base transmission revenue which, shall in respect of the relevant year commencing 1 April 2012 be calculated as:

$$PR_t = RBT \times RPIF_t$$

where:

RBT shall take the value x (being in 2009/10 prices) and

Comment [W3]: All figures will be in 2009/10 prices

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RPIF_t is the price index adjustment for the relevant year t, and in the relevant year commencing 1 April 2009 shall take the value of 1 and in each subsequent relevant year shall be derived from the following formula:

Comment [W4]: Updated approach to RPI indexation. This is explained in the accompanying informal licence drafting consultation

$$\text{RPIF}_t = \text{RPIA}_{t-2} \times (1 + \text{GRPIF}_{t-1,s}) \times (1 + \text{GRPIF}_{t,s})$$

where:

$$\text{RPIA}_t = \text{RPI}_t / \text{RPI}_{2009-10}$$

where:

RPI_t means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from April to March in Formula Year t where Retail Prices Index Forecast Growth Rate means:

- (a) the growth rate as defined as the “New forecasts (marked *)” in the HM Treasury “Forecasts for the UK Economy” publication, published in the November of each year; or
- (b) if in any year the HM Treasury does not publish that growth rate, or changes the basis for calculating that growth rate, the Authority will, after consultation with the licensees, determine an appropriate index to be used.

RPI₂₀₀₉₋₁₀ means the arithmetic average of the Retail Prices Index published or determined with respect to each of the twelve months from April 2009 to March 2010 where:

$$\text{GRPIF}_t = 0.75 * \text{GRPIF}_c + 0.25 * \text{GRPIF}_{c+1}$$

$$\text{GRPIF}_{t-1,s} = 0.75 * \text{GRPIF}_{c-1} + 0.25 * \text{GRPIF}_c$$

where:

GRPIF_c means the Retail Prices Index Forecast Growth Rate for the calendar

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year c and where c is the calendar year 2012. This information is taken from the November 2011 edition of the HM Treasury publication “Forecasts for the UK Economy”.

$TIRG_t$ means, for each TIRG relevant year t, the aggregate of the annual revenue allowances for each transmission investment project specified in Schedule C and calculated in accordance with special condition J3 (Restriction of transmission charges: Transmission Investment for Renewable Generation);.

PT_t means the revenue adjustment term, whether of a positive or of a negative value, made in the relevant year t in respect of allowed pass through items as derived in accordance with special condition J4 (Restriction of transmission charges: Allowed pass-through items);

IP_t means the total amount of incentive revenue, whether of a positive or of a negative value, calculated for the relevant year t in accordance with Special condition J5 (Restriction of transmission charges: Total incentive revenue adjustment);

$CxIncRA_t$ means the revenue adjustment term, in respect of the application of the capital expenditure incentive regime as calculated in accordance with special condition J7 (Capital Expenditure Incentive and Safety Net).

Comment [W5]: Definition has been updated, as per the informal licence drafting consultation this will only derive the revenue adjustment for the rollover year

IE_t means the allowance made in respect of the relevant year t representing the sum of the estimated costs incurred by the licensee in that relevant year in association with the issuance of new equity and the true up where investment levels during the previous price controls were different from forecast and shall take the value set out below:

Comment [W6]: Updated as discussed in the accompanying informal licence consultation

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<u>IE_t in the Relevant Year commencing 1 April</u>	<u>2012</u>
National Grid Electricity Transmission plc	Nil
Scottish Hydro-Electric Transmission Ltd	£3,100,000 * RPIF _t
SP Transmission Ltd	-£3,160,000 * RPIF _t

LC_t means the revenue adjustment term, whether of a positive or of a negative value, made in the relevant year commencing 1 April 2013 in respect of the full recovery of efficiently incurred logged up costs (adjusted for financing costs) as specified in paragraph 4 of this condition. For each relevant year prior to the relevant year commencing 1 April 2013 and for each relevant year after the relevant year commencing 1 April 2013 LC_t shall take the value zero.

Comment [W7]: This has been revised to allow a return on logged up costs in 2013, as per logged up costs in IP – page 20

TOInc_t means any adjustments to allowed transmission owner revenue reflecting changes to average asset values for Transmission Investment Incentive Projects under the provisions of licence special **condition J12.**

Comment [W8]: Definition updated to reflect the approach currently under consultation to include TII revenue in the base revenue term PRt. As such the only revenue derived through the term TOInc during the rollover year will be due to asset value adjusting events:
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives/Documents/111011_TIIpolicyframework.pdf

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

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

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Where:

AR_{t-1} means, subject to paragraph 3 of special condition J6 (Restriction of transmission charges: adjustments), the regulated transmission revenue in respect of the relevant year t-1, except in the relevant year commencing 1 April 2007 where AR_{t-1} shall be the regulated transmission revenue (CR_t) in the relevant year commencing 1 April 2006 as calculated in accordance with special condition J (Restriction of transmission charges) of this licence in the form in which it was in force at 31 March 2007.

TO_{t-1} means the allowed transmission owner revenue in the relevant year t-1.

Comment [W9]: Removed definition in place for 2007.

I_t means the average specified rate (as defined under those words in special condition J1 (Restriction of Transmission Charges: Definitions)) in the relevant year t.

PI_t means the penalty interest rate in relevant year t which is equal to:

(a) where ($AR_{t-1} - TO_{t-1}$) has a positive value and AR_{t-1} exceeds TO_{t-1} by more than two per cent, the value four; and

(b) otherwise it shall take the value zero.

- 4 For the purposes of paragraph 3, LC_t shall comprise those costs incurred and reported to the Authority in accordance with standard condition B15 (Price Control Review Information), by the licensee during the period of 2007 to 31 March 2012 against the following cost categories:

Comment [W10]: As per IP page 20 we will not allow any costs to log up during the rollover year – with the exception of CNI costs which will be handled via a separate mechanism.

- (a) Net additional local infrastructure as a result of the licensee constructing a ‘firm’ (i.e. SQSS compliant) connection as opposed to a ‘non-firm’ single circuit connection for new generation connections in circumstances where

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the relevant generator is requesting a connection capacity of less than 100 megawatts;

- (b) Upgrading of operational telecommunication systems resulting from the introduction of BT's 21st Century Networks programme;

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

Special Condition J4 – Restriction of transmission charges: Allowed pass-through

items

Comment [W11]: The current set of pass through items will continue to be passed through – IP page 21.

1. The purpose of this condition is to provide for revenue adjustments to reflect certain costs that can be passed through to consumers as part of allowed transmission owner revenue.
2. For the purposes of paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services) PT_t is derived from the following formula:

$$PT_t = LF_t + RB_t + IAT_t + TPD_t$$

Where

LF_t means the licence fee revenue adjustment term, whether of a positive or of a negative value, as derived from the formula set out in paragraph 3.

RB_t means the network rates revenue adjustment term, whether of a positive or of a negative value, as derived from the formula set out in paragraphs 4 to 6.

IAT_t means the income adjusting event revenue adjustment term, whether of a positive or of a negative value, and shall be determined in accordance with paragraphs 7 to 9

TPD_t means the temporary physical disconnection term and shall be determined in accordance with paragraphs 10 to 11.

Formula for the Licence Fee Revenue Adjustment (LF_t)

3. For the purposes of paragraph 2, LF_t is an amount calculated in accordance with the following formula:

$$LF_t = LP_t - LA_t$$

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Where:

LP_t is an amount in respect of licence fee payments and means the amount equal to the payments made by the licensee, in the relevant year t, in accordance with its obligations set out in standard licence condition A4 (Payments to the Authority); and

LA_t is the amount of the licence fee payments allowance and has the value zero.

Formula for the Network Rates Revenue Adjustment (RB_t)

4. For the purposes of paragraph 2, subject to paragraph 5 below, RB_t is an amount calculated in accordance with the following formula:

$$RB_t = RP_t - RA_t$$

where:

RP_t is the amount payable by the licensee, in respect of the relevant year t, in respect of network rates.

RA_t is the network rates allowance, and is derived from the following formula:

$$RA_t = RV_t \times RPIF_t$$

Comment [W12]: Updated RPI term to RPIF

where:

RV_t is the network rates allowance in 2009/10 prices, and shall take the value set out in the table below:

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Relevant year t commencing on 1 April

RV_t £X

Comment [W13]: To be updated in line with network rates projections contained in Final Proposals

$RPIF_t$ shall take the same meaning as given in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services)

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

Formula for a revenue adjustment in respect of an Income Adjusting Event (IAT_t)

7. (a) An income adjusting event in relevant year t may arise from any of the following:
- i) an event or circumstance constituting force majeure under the STC;
 - ii) an event or circumstance resulting from an amendment to the STC not allowed for in setting the allowed revenues of the licensee for the relevant year t; and
 - iii) an event or circumstance other than listed above which is, in the opinion of the Authority, an income adjusting event and is approved by it as such in accordance with paragraph 9 of this licence condition

where the event or circumstance has, for relevant year t, increased or decreased costs and/ or expenses by more than £1,000,000 (the “STC threshold amount”).

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- (b) For the purpose of the relevant year t commencing on 1 April 2007 and ending on 31 March 2008 events or circumstances arising directly from the implementation or otherwise of the following proposed amendments (both the original and any alternative) listed in table 1 below shall not qualify as an income adjusting event for the purpose of paragraph 7(a) above:

Table 1:

Amendment No.	Amendment Title

8. (a) Where the licensee considers, and can provide supporting evidence that, in respect of relevant year t, there have been costs and/or expenses that have been incurred or saved by an income adjusting event, then the licensee shall give notice of this event to the Authority.
- (b) A notice provided to the Authority under paragraph 8(a) shall give particulars of:
- (i) the event to which the notice relates and the reason(s) why the licensee considers this event to be an income adjusting event;

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- (ii) the amount of any change in costs and/or expenses that can be demonstrated by the licensee to have been caused or saved by the event and how the amount of these costs and/or expenses has been calculated;
 - (iii) the amount of any allowed income adjustment proposed as a consequence of that event and how this allowed income adjustment has been calculated; and
 - (iv) any other analysis or information which the licensee considers to be sufficient to enable the Authority and the relevant parties referred to in subparagraph 8(a) to fully assess the event to which the notice relates.
- (c) If the Authority considers that the analysis or information provided in subparagraphs 8(b)(i) to 8(b)(iv) above is insufficient to enable both the Authority and the relevant parties referred to in subparagraph 8(a) to assess whether an income adjusting event has occurred and/or the amount of any allowed income adjustment that should be approved, the Authority can request that the supporting evidence be supplemented with additional information that it considers appropriate.
- (d) A notice of an income adjusting event shall be given as soon as is reasonably practicable after the occurrence of the income adjusting event, and, in any event, not later than three months after the end of the relevant year in which it occurs.
- (e) The Authority will make public, excluding any confidential information, any notice of an income adjusting event following its receipt.
- (f) Any notice submitted to the Authority under paragraph 8(a) above should clearly identify whether any of the information contained in the notice is of a confidential nature. The Authority shall make the final determination as to confidentiality having regard to:
 - (i) the need to exclude from disclosure, so far as is reasonably practicable, information whose disclosure the Authority considers would or might seriously prejudicially affect the interests of a person to which it relates; and

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- (ii) the extent to which the disclosure of the information mentioned in sub-paragraph 8(f)(i) is necessary for the purposes of enabling the relevant parties to fully assess the event to which the notice relates.
9. (a) The Authority shall determine (after consultation with the licensee and such other persons as it considers desirable):
- (i) whether any or all of the costs and/or expenses given in a notice pursuant to paragraph 8(a) were caused or saved by an income adjusting event;
 - (ii) whether the event or circumstance has increased or decreased the relevant costs and/or expenses by more than the STC threshold amount;
 - (iii) if so, whether the amount of the proposed income adjustment ensures that the financial position and performance of the licensee are, insofar as is reasonably practicable, the same as if that income adjusting event had not taken place, and if not, what allowed income adjustment would secure that effect; and
 - (iv) the periods, if any, over which the amounts should apply.
- (b) In relation to the relevant year t, the allowed income adjustment (IAT_t) shall be:
- (i) the value determined by the Authority under paragraph 9(a) above; or
 - (ii) if the Authority has not made a determination under paragraph 9(a) above within three months of the date on which notice of an income adjusting event was provided to the Authority, the amount of the allowed income adjustment proposed as a consequence of the event in the notice given to the Authority under sub-paragraph 8(b)(iii); or
 - (iii) in all other cases zero, including situations where the Authority has not made a determination under paragraph 9(a) above within three months of the date on which notice of an income adjusting event was provided to

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the Authority and the Authority has, before the end of that three month period, informed the licensee that the Authority considers that the analysis or information provided in accordance with paragraphs 8(b) and/or 8(c) is insufficient to enable the Authority to assess whether an income adjusting event has occurred and/or the amount of any allowed income adjustment.

- (c) The Authority's decision in relation to any notice given under paragraph 8(a) shall be in writing, shall be copied to the licensee and shall be in the public domain.
- (d) The Authority may revoke an approval of an income adjusting event and allowed income adjustment with the consent of the licensee, following consultation with the licensee and relevant parties. Revocation of any income adjusting event and allowed income adjustment shall be in writing, shall be copied to the licensee and shall be in the public domain.

Formula for the Temporary Physical Disconnection Term (TPDt)

- 10. For the purposes of paragraph 2, for the relevant year t commencing 1 April 2007, TPDt shall be an amount equal to the costs incurred in relation to interruption payments made by the system operator in the licensee's transmission area and charged by the system operator to the transmission licensee in accordance with the STC in respect of the period commencing 1 April 2005 and ending 31 March 2007. Such costs shall include any financing or other costs such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if those costs had not been incurred.
- 11. For the relevant year t commencing 1 April 2008 and each subsequent relevant year t, TPDt shall be an amount equal to the costs incurred in relation to interruption payments made by the system operator in the licensee's transmission area and charged by the system operator to the transmission licensee in accordance with the STC within each respective relevant year t-1. Such costs shall include any financing or other costs such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if those costs had not been incurred.

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Special Condition J5 - Restriction of transmission charges: Total incentive revenue adjustment

1. For the purposes of paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services), IP_t is derived from the following formula:

$$IP_t = RI_t + IFI_t + SFI_t$$

where

RI_t means the revenue adjustment term, whether of a positive (subject to paragraph 3) or of a negative value, reflecting the licensee's performance against a transmission network reliability incentive in the relevant incentive period relating to year t , and derived in accordance with part 1 of this condition.

IFI_t means the revenue adjustment term in respect of expenditure pursuant to the Innovation Funding Incentive and shall be calculated in accordance with Part 3 of this condition.

SFI_t means the revenue adjustment term in respect of rates of leakage of SF6 and shall be calculated in accordance with Part 4 of this condition.

Comment [W14]: The rationale for the removal of terms RevDrvSHETL, RCI and RevAPOx is given in the accompanying informal licence consultation.

Part 1 – Adjustment to Transmission Network Revenue Restriction due to Transmission Network Reliability Incentive Scheme

2. For the purpose of paragraph 1, the term RI_t shall be derived from the following formula:

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$$RI_t = PR_{t-1} \times RAF_y$$

Where:

RI_t in the relevant year t is the transmission network reliability incentive performance during incentive period y which shall equate to the relevant year t-1.

PR_{t-1} shall be the value of PR_t calculated in accordance with the formula specified in paragraph 3 of Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services) in respect of the relevant year t-1.

RAF_y is the revenue adjustment factor based on the licensee's performance against the transmission network reliability incentive during incentive period y, and is derived from the following formula:

If $RIP_y < RILT_y$:

$$RAF_y = RIUPA_y \left[\frac{RILT_y - RIP_y}{RILT_y} \right]$$

If $RIP_y > RIUT_y$:

$$RAF_y = \max \left(RIDPA_y, RIDPA_y \left[\frac{RIP_y - RIUT_y}{RICOL_y - RIUT_y} \right] \right)$$

Otherwise:

$$RAF_y = 0$$

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Where:

$RILT_y$ is the lower incentivised loss of supply event target in respect of incentive period y, which is the number of events specified in the following table:

Relevant year t	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Incentive Period y	1 January 2006 to 31 March 2007	1 April 2007 to 31 March 2008	1 April 2008 to 31 March 2009	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011	1 April 2011 to 31 March 2012	1 April 2012 to 31 March 2013
$RILT_y$	14	10	10	10	10	10	

Comment [W15]: All of these incentive parameters are maintained at the TPCR4 level (as per IP page 23)

$RIUT_y$ is the upper incentivised loss of supply event target in respect of incentive period y, which is the number of events specified in the following table:

Relevant year t	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Incentive Period y	1 January 2006 to 31 March 2007	1 April 2007 to 31 March 2008	1 April 2008 to 31 March 2009	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011	1 April 2011 to 31 March 2012	1 April 2012 to 31 March 2013
$RIUT_y$	16	12	12	12	12	12	12

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RIUPA_y is the maximum upside percentage adjustment in respect of incentive period y, which, subject to paragraph 3, has the value as specified in the following table:

Relevant year t	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Incentive Period y	1 January 2006 to 31 March 2007	1 April 2007 to 31 March 2008	1 April 2008 to 31 March 2009	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011	1 April 2011 to 31 March 2012	1 April 2012 to 31 March 2013
RIUPA_y	0.50%	0.50%	0.50% (subject to paragraph 3)	0.50% (subject to paragrap h 3)	0.50% (subject to paragrap h 3)	0.50% (subject to paragrap h 3)	0.50% (subject to paragrap h 3)

Comment [W16]: IP – page 23
Reliability incentive is maintained at current levels.

RIDPA_y is the maximum downside percentage adjustment in respect of incentive period y, which has the value as specified in the following table:

Relevant year t	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Incentive Period y	1 January 2006 to 31 March 2007	1 April 2007 to 31 March 2008	1 April 2008 to 31 March 2009	1 April 2009 to 31 March 2010	1 April 2010 to 31 March	1 April 2011 to 31 March	1 April 2012 to 31 March

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					2011	2012	2013
RIDPA_y	-0.75%						

$RICOL_y$ is the incentivised loss of supply collar in respect of incentive period y which is the number of events specified in the following table:

Relevant year t	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Incentive Period y	1 January 2006 to 31 March 2007	1 April 2007 to 31 March 2008	1 April 2008 to 31 March 2009	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011	1 April 2011 to 31 March 2012	1 April 2012 to 31 March 2013
RICOL_y	37	27	27	27	27	27	27

RIP_y is the number of incentivised loss of supply events in incentive period y.

$\max(A,B)$ means the value equal to the greater of A and B.

- For the purposes of calculating RAF_y , $RIUPA_y$ shall take the value specified in the relevant table in paragraph 2 above before 1 April 2009 or such later date as the Authority may direct. After 1 April 2009 or such later date as the Authority may direct, $RIUPA_y$ shall take the value specified in the relevant table in paragraph 2 above for relevant years during which the licensee implements an approved network

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output measures methodology in accordance with standard condition B17 (Network Output Measures), and shall take the value zero for relevant years during which the licensee fails to implement the methodology, unless otherwise directed by the Authority.

4. For the purposes of this condition, “incentivised loss of supply event” shall mean any event on the licensee’s transmission system that causes electricity not to be supplied to a customer subject to the following exclusions:
 - (a) any such event that causes electricity to not be supplied to 3 or less directly connected parties;
 - (b) any unsupplied energy resulting from a shortage of available generation;
 - (c) any unsupplied energy resulting from a user’s request for disconnection in accordance with the Grid Code;
 - (d) any unsupplied energy resulting from emergency de-energisation of part of the licensee's transmission system, either as a consequence of a user's request for emergency de-energisation of its equipment or the user carrying out an emergency de-energisation of its equipment;
 - (e) any unsupplied energy resulting from a planned outage as defined in the Grid Code;
 - (f) any unsupplied energy resulting from a de-energisation or disconnection of a user’s equipment necessary to ensure compliance with an instruction by the system operator to the licensee pursuant to the STC; and
 - (g) any unsupplied energy resulting from an emergency de-energisation or disconnection of a user’s equipment necessary to ensure compliance with

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the Electricity Safety, Quality and Continuity Regulations 2002, as amended from time to time, or to otherwise ensure public safety.

5. For the purpose of paragraph 4, a “directly connected party” is any party with a direct connection to the licensee’s transmission system with the exception of any connection to a distribution system.

6. Where:

- (a) the licensee considers that any event on the licensee’s transmission system that causes electricity not to be supplied to a customer has been wholly or partially caused by an exceptional event;
- (b) the licensee has notified the Authority of such event within 14 days of its occurrence;
- (c) the licensee has provided details of the exceptional event and such further information, if any, as the Authority may require in relation to such an exceptional event; and
- (d) the Authority is satisfied that the event notified to it under sub-paragraph (b) is an exceptional event

the Authority may, by notice to the licensee, direct that the number of incentivised loss of supply events in incentive period y shall be adjusted as specified in that direction.

7. For the purpose of paragraph 6, the adjustment directed by the Authority shall be based on the extent to which the Authority is satisfied that the licensee had taken reasonable steps to prevent the event having the effect of interrupting supply and to mitigate its effect (both in anticipation and subsequently).

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8. A direction under paragraph 6 shall not have effect unless, before it is made, the Authority has given notice to the licensee:
- (a) setting out the terms of the proposed direction;
 - (b) stating the reasons why it proposes to issue the direction; and
 - (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections

and the Authority has considered such representations or objections and given reasons for its decision.

9. For the purpose of paragraph 6, an “exceptional event” means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes electricity not to be supplied to a customer and includes (without limitation) an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), any severe weather event resulting in more than 7 faults being recorded by the licensee on the licensee’s transmission system in any 24 hour period, governmental restraint, Act of Parliament, any other legislation, bye law or directive (not being any order, regulation or direction under section 32, 33, 34 and 35 of the Act) or decision of a Court of competent authority or the European Commission or any other body having jurisdiction over the activities of the licensee provided that lack of funds shall not be interpreted as a cause beyond the reasonable control of the licensee.

Part 3 – Calculation of charge restriction adjustments arising from the innovation funding incentive scheme

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10. The purpose of this condition is to provide for adjustments to allowed transmission owner revenue to reflect performance of the licensee in relation to its investment in innovation under the Innovation Funding Incentive (IFI) scheme.

11. For the purposes of paragraph 1, IFI_t is derived for the relevant year t from the formula:

$$IFI_t = ptri_t \times \left(\min \left(IFIE_t, \max \left(\text{€}500,000 + KIFI_t, 0.005 \times \left(PR_t + TIRG_t \right) + KIFI_t \right) \right) \right)$$

where:

$IFIE_t$ means the eligible IFI expenditure for the relevant year t as reported in the IFI annual report for that year.

PR_t means the base transmission revenue in year t as determined in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services);

$TIRG_t$ means the annual revenue allowance in year t as determined in special condition J3 (Restriction of transmission charges: Transmission Investment for Renewable Generation);

$ptri_t$ is the pass-through factor applicable for the relevant year t and shall in the relevant year commencing 1 April 2007 and each subsequent relevant year take the value 0.8; and

$KIFI_t$ is the carry forward in relation to the IFI scheme as set out in the IFI annual report for relevant year $t-1$, and is calculated from the following formula:

$$\text{If } IFIE_{t-1} \leq 0.5 \times \max \left(\text{€}500,000, 0.005 \times \left(PR_{t-1} + TIRG_{t-1} \right) \right):$$

$$KIFI_t = 0.5 \times \max \left(\text{€}500,000, 0.005 \times \left(PR_{t-1} + TIRG_{t-1} \right) \right)$$

$$\text{If } IFIE_{t-1} > 0.5 \times \max \left(\text{€}500,000, 0.005 \times \left(PR_{t-1} + TIRG_{t-1} \right) \right) \text{ and}$$

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$$IFIE_{t-1} \leq \max \{ \text{€}500,000, 0.005 \times (\text{€}R_{t-1} + TIRG_{t-1}) \} :$$

$$KIFI_t = \max \{ \text{€}500,000, 0.005 \times (\text{€}R_{t-1} + TIRG_{t-1}) \} IFIE_{t-1}$$

$$\text{If } IFIE_{t-1} > \max \{ \text{€}500,000, 0.005 \times (\text{€}R_{t-1} + TIRG_{t-1}) \} :$$

$$KIFI_t = 0$$

where, for the year commencing 1 April 2007, KIFI_t, shall be zero

12. For the purposes of this condition:

“eligible IFI expenditure” means the amount of expenditure spent or accrued by the licensee in respect of eligible IFI projects;

“eligible IFI projects” means those projects that meet the requirements described for such projects; and

“IFI annual report” means the report produced each year by the licensee, in a format agreed with the Authority, in respect of expenditure and innovation.

in each case above, all as more fully set out in the revenue reporting Regulatory Instructions and Guidance for the time being in force under standard condition B16 (Price Control Revenue Reporting and Associated Information) in relation to the IFI scheme.

Part 4 - adjustment to restriction of transmission charges due to SF₆ incentive

Note: Consolidated conditions are not formal Public Register documents and should not be relied on.
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13. The purpose of this condition is to provide for adjustments to allowed revenue to reflect performance of the licensee in relation to its Sulphur Hexafluoride (SF₆) incentive scheme.
14. The licensee shall within 3 months of receiving a notice from the Authority submit to the Authority a leakage rate of SF₆ methodology statement consistent with best industry practice, setting out the methodology by which the licensee will determine the leakage rate of SF₆ gas, required for the calculation of the actual leakage rate of SF₆ gas, ALK_t, and the target leakage rate of SF₆ gas, TLK_t.
15. Unless the Authority directs otherwise within 2 months of the date on which the licensee submits the statement to the Authority in accordance with paragraph 20, the licensee shall take all reasonable steps to apply the methodology set out in that statement.
16. Before revising the methodology referred to in paragraph 20 the licensee shall submit to the Authority a copy of the proposed revisions to the methodology.
17. Unless the Authority directs otherwise within 1 month of the Authority receiving any proposed revisions to the methodology under paragraph 22, the licensee shall take all reasonable steps to apply the methodology revised in accordance with such proposed revisions.
18. The provisions of paragraphs 26 to 31 of this special licence condition shall not take effect until such time as directed by the Authority.
19. For the purposes of paragraph 1 of this special condition, SFI_t shall take the value zero until such time as the Authority directs that the provisions of paragraphs 26 to 31 shall take effect.
20. For the purposes of paragraph 1, where $ALK_t < TLK_t$, SFI_t shall be calculated in accordance with the following formula:

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$$SFI_t = 0.002 \times PR_t$$

otherwise: SFI_t shall take the value zero (0).

Where:

PR_t means the licensee's base transmission revenue, as defined in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services)

ALK_t means the actual leakage rate of SF_6 gas in relevant year t as a percentage of inventory of SF_6 gas as reported by the licensee pursuant to the revenue reporting Regulatory Instructions and Guidance issued in accordance with standard condition B16 (Price Control Revenue Reporting and Associated Information)

TLK_t means the target leakage rate of SF_6 gas in relevant year t as a percentage of inventory of SF_6 and shall take the values in the table below:

Relevant year t	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
TLK_t	[]	[]	[]	[]	[]	[]

Comment [W17]: To be updated with target defined in final proposals (if any is set)

21. Where:

- (a) the licensee considers that any event on the licensee's transmission system that causes leakage of SF_6 gas has been wholly or partially caused by an exceptional event;

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- (b) the licensee has notified the Authority of such event within 14 days of its occurrence;
- (c) the licensee has provided details of the exceptional event and such further information, if any, as the Authority may require in relation to such an exceptional event; and
- (d) the Authority is satisfied that the event notified to it under sub-paragraph (b) is an exceptional event

the Authority may, by notice to the licensee, direct that actual leakage of SF₆ gas and the value of ALK_t in relevant year t shall be adjusted as specified in that direction. In directing the value of any adjustment to ALK_t in relevant year t pursuant to this paragraph, the Authority shall reserve the right to modify the value of any proposed adjustment notified by the licensee that may be made to ALK_t in relevant year t.

- 22. For the purpose of paragraph 27, any adjustment directed by the Authority shall be based on the extent to which the Authority is satisfied that the licensee had taken reasonable steps to prevent the event from resulting in the leakage of SF₆ and to mitigate its effect (both in anticipation and subsequently).
- 23. A direction under paragraph 27 shall not have effect unless, before it is made, the Authority has given notice to the licensee:
 - (a) setting out the terms of the proposed direction;
 - (b) stating the reasons why it proposes to issue the direction; and
 - (c) specifying the period (not being less than 14 days from the date of the notice) within which the licensee may make representations or objections

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and the Authority has considered such representations or objections and given reasons for its decision.

24. For the purpose of paragraph 27, an “exceptional event” means an event or circumstance that is beyond the reasonable control of the licensee and which results in or causes the leakage of SF₆ gas and includes (without limitation) an act of the public enemy, war declared or undeclared, threat of war, terrorist act, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), governmental restraint, Act of Parliament, any other legislation, bye law or directive (not being any order, regulation or direction under section 32, 33, 34 and 35 of the Act) or decision of a Court of competent authority or the European Commission or any other body having jurisdiction over the activities of the licensee provided that lack of funds shall not be interpreted as a cause beyond the reasonable control of the licensee.
25. Without prejudice to paragraph 30, an “exceptional event” may include circumstances where a significant danger to the public gives rise to the licensee prioritising health and safety over the reduction of leakage of SF₆ gas at a particular site.

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1. **Special Condition J6: Restriction of transmission charges: adjustments**

Comment [W18]: This condition is to remain unchanged for the rollover year.

1. If, in respect of any relevant year, the regulated transmission revenue exceeds the allowed transmission owner revenue by more than 3 per cent of the latter, the licensee shall furnish an explanation to the Authority and in the next following relevant year the licensee shall not effect any increase in charges for the provision of transmission services, the revenue from which is regulated under Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services), unless it has demonstrated to the reasonable satisfaction of the Authority that the regulated transmission revenue in that next following relevant year would not be likely to exceed the allowed transmission owner revenue in that same relevant year.
2. If, in respect of any two successive relevant years, the sum of the amounts by which the regulated transmission revenue has exceeded the allowed transmission owner revenue is more than 4 per cent of the allowed transmission owner revenue for the second of these relevant years, then in the next following relevant year the licensee shall, if required by the Authority, adjust its charges for the provision of transmission services, the revenue from which is regulated under the Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services), such that the regulated transmission revenue would not be likely, in the judgment of the Authority, to exceed the allowed transmission owner revenue in that next following relevant year.
3. If, in respect of any two successive relevant years, the regulated transmission revenue is less than 90 per cent of the allowed transmission owner revenue, the Authority, after consultation with the licensee, may direct that in calculating K_t in respect of the next following relevant year, there shall be substituted for AR_{t-1} in the formula set out in paragraph 3 of Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services) such figure as the Authority may specify being not less than AR_{t-1} and not more than $0.90(TO_{t-1})$.

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Special Condition J7: Capital Expenditure Incentive and Safety Net

The purpose of this condition is to set out how the Capital Expenditure Incentive and Safety Net will operate.

Part 1: Capital Expenditure Incentive Revenue Adjustment

1. For the purposes of paragraph 3 of Special Condition J2 (Restriction of Transmission charges: revenue from transmission owner services), on 1 April 2012 $CxIncRA_t$ shall take **the value £xm**

Comment [W19]: The calculation of the values this term will take in subsequent years will be outlined in our final proposals document

Part 2: Capital Expenditure Safety Net

2. For the purposes of this condition, relevant capital expenditure ($RelCx_t$) in respect of the relevant year t shall be calculated **as follows:**

Comment [W20]: Capex safety net to remain in place unchanged for the rollover year

$$RelCx_t = \frac{Cx_t - ESCx_t}{RPIF}$$

Comment [W21]: There is no need to subtract LC (logged up costs) or LV (Revenue driver increments) for the reasons described in the informal licence drafting document.

where:

Cx_t means the capital expenditure, expressed net of pensions contributions incurred by the licensee in the relevant year n, as reported to the Authority pursuant to standard condition B15 (Price Control Review Information). Such expenditure shall not include capital expenditure incurred by the licensee in the relevant year n in respect of the transmission investment projects identified in Schedule C to special condition J3 (Restriction of transmission charges: Transmission Investment for Renewable Generation);

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

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RPIF shall take the same meaning as given in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services)

Comment [W22]: Updated in line with RPI approach

3. For the purposes of paragraph 13, the relevant capital expenditure allowance ($RelAC_t$) in the relevant year t shall be calculated in accordance with the following formula:

$$RelAC_t = BCx_t$$

Where

BCx_t means, subject to Part 2 (Capital Expenditure Safety Net) of this condition, the capital expenditure allowance which shall take the value $\pounds xm$ expressed in 2009/10 prices

Comment [W23]: As per the informal licence consultation this value will be the sum of the revenue driver and base capex allowance

4. If, in respect of the relevant year t or any subsequent relevant year up to and including the relevant year commencing 1 April 2012, the licensee reasonably expects that relevant capital expenditure $RelCx_t$ will be less than $0.8 \times RelAC_t$ then the licensee shall furnish to the Authority a statement setting out:
- (a) the amount by which the licensee expects relevant capital expenditure to fall below $RelAC_t$ in respect of that same relevant year;
 - (b) the factors which, in the licensee's reasonable opinion, have or are likely to result in the shortfall referred to in sub-paragraph (a).

Comment [W24]: Date updated

5. The Authority may request any additional information in relation to paragraphs 9 to 11 of this condition that it considers is reasonably necessary to exercises its duties and functions under the Act. Such a request shall be made in writing to the licensee and specify the date by which information shall be provided being not

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less than 14 days from the date of the notice.

6. Where the Authority issues a request pursuant to paragraph 12, the licensee shall, unless the Authority agrees otherwise, provide such information that has been requested by the Authority by the date specified in the request

7. The Authority may, having considered the information provided by the licensee pursuant to this condition, by notice to the licensee set out that it proposes to reduce the value of base transmission revenue set out in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services). Such notice shall specify:
 - (a) the amount by which the Authority proposes reduce base transmission revenue as a result of relevant capital expenditure $RelC_{x_t}$ being less than $0.8 \times RelAC_{x_t}$;
 - (b) the date on which the Authority proposes that the proposed reduction in base transmission revenue would take effect;
 - (c) the reasons why the Authority considers that the proposed reduction is appropriate;
 - (d) the date, being of no less than 28 days from the date of the notice, by which the Authority invites comments from the licensee; and
 - (e) the date by which the Authority intends to give notice of such proposed licence amendments pursuant to section 11 (or as the case may be, section 12) of the Act.

8. The Authority shall have regard to any representations made by the licensee in response to the notice referred to in paragraph 14 before formally proposing the modification to the value of base transmission revenue in paragraph 3 of special condition J2 (Restriction of transmission charges: revenue from transmission owner services) referred to in the notice pursuant to section 11 (or as the case may be, section 12) of the Act.

9. The proposals provided to the licensee pursuant to paragraph 15 above shall be

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constructed, so far as is reasonably practicable, to reduce the licensee's base transmission revenue by an amount which is no more than an amount which represents the savings in financing costs, including depreciation, in respect of a reduction to the capital expenditure allowance determined by the Authority for the purpose of this part of this condition in the light of information provided by the licensee in accordance with this part of this condition.

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Special Condition J9 – Duration of the charge Restriction Provisions

Comment [W25]: May require updates in line with the 3rd package as outlined in our informal licence consultation

1. The charge restriction conditions shall apply so long as this licence continues in force but shall cease to have effect (in whole or in part, as the case may be) if the licensee delivers to the Authority a disapplication request made in accordance with paragraph 2 and:
 - (a) the Authority agrees in writing to the disapplication request; or
 - (b) the application of those conditions (in whole or in part) is terminated by notice given by the licensee in accordance with either paragraph 4 or paragraph 5.

2. A disapplication request pursuant to this Condition shall
 - (a) be in writing addressed to the Authority;
 - (b) specify those of the charge restriction conditions (or any part or parts thereof) to which the request relates; and
 - (c) state the date (not being earlier than the date specified in paragraph 3) from which the licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect (“the disapplication date”).

3. Save where the Authority agrees otherwise, no disapplication following delivery of a disapplication request pursuant to this Condition shall have effect earlier than the date which is the later of:
 - (a) a date being not less than 12 months after delivery of the disapplication request; and,

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(b) 1 April 2013.

Comment [W26]: Extended the date by which a disapplication could take effect until the end of the rollover period

4. If the Authority has not made a reference to the Competition Commission under Section 12 of the Act relating to the modification of the charge restriction conditions before the beginning of the period of 6 months which will end with the disapplication date, the licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions (or any part or parts thereof) as are specified in the disapplication request with effect from the disapplication date or a later date.

Comment [W27]: This may not be compatible with the third package; we will liaise with the licensees in advance of consulting on the amendments if necessary.

5. If the Competition Commission makes a report on a reference made by the Authority relating to the modification of the revenue restriction (or any part or parts thereof) specified in the disapplication request and such report does not include a conclusion that:
- (i) the cessation of such revenue restriction, in whole or in part, operates or may be expected to operate against the public interest; or
 - (ii) that any adverse effects specified by the Competition Commission could be remedied or prevented by such modifications of the relevant conditions as are specified in the report;

the licensee may within 30 days after the publication of the report by the Authority in accordance with Section 13 of the Act deliver to it written notice terminating the application of such revenue restriction (or any part or parts thereof) with effect from the disapplication date or a later date.

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