

Electricity Act 1989
Sections 11A(1)(a) and 49A(1)(b)

**MODIFICATION OF SPECIAL CONDITIONS D2 AND D11 OF NATIONAL GRID
ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE
GRANTED UNDER SECTION 6(1)(B) OF THE ELECTRICITY ACT 1989; AND**

**NOTICE OF REASONS FOR THE DECISION TO MODIFY THE LICENCE
UNDER SECTION 49A(1)(b) OF THE ELECTRICITY ACT 1989**

Whereas:

1. National Grid Electricity Transmission plc ("NGET") (company number 2366977) ("the Licence Holder") is the holder of 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(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 5 April 2012 ("the Notice")¹ that it proposed to modify the following special conditions (together "the Conditions") of the Licence:

- Special Condition D2 (Restriction on Transmission Network Revenue); and
- Special Condition D11 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Asset Owner Incentives).

3. In accordance with section 11A(2) of the Act, the Notice set out the proposed modifications and their effect, namely to extend the existing provisions for recovery of efficient pre-construction and/or construction costs associated with transmission reinforcement works such that they may apply to relevant works undertaken up to the end of the financial year 2012-13.

4. The reasons why the Authority proposed to make modifications were set out in the Authority's statutory consultation letter² ("the Consultation Letter") which accompanied the Notice³. The Authority specified 8 May 2012 as the date upon which representations with respect to the proposed modifications could be made.

5. The Authority separately gave notice⁴ in accordance with section 11A(2) of the Act on 5 April 2012 of proposed modifications to the electricity transmission licences held by SP Transmission Ltd ("SPTL") and Scottish Hydro Electric Transmission Ltd ("SHELTL") respectively, for which the reasons were also those set out in the Consultation Letter and which had a similar effect to those set out in the Notice.

6. In accordance with section 11A(4)(b) of the Act, the Authority gave notice of the proposed modifications to the Secretary of State and has not received a direction not to make the modification before the relevant time period specified in the Notice.

7. Prior to the close of the consultation period in respect of the Notice, the Authority received two responses to the Consultation Letter, supporting the proposed

¹ "Notice under Section 11A(2) of The Electricity Act 1989 of proposed modification to the electricity transmission licence of National Grid Electricity Transmission plc", 5 April 2012
http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives/Documents1/Apr12_NGET_Notice.pdf

² "Transmission Investment Incentives: statutory consultation and Notices under Section 11A(2) of the Electricity Act 1989 on proposed modifications to electricity transmission licences", 5 April 2012
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=49&refer=Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives>

³ The Notice was published as Annex 1 to the Consultation Letter.

⁴ These notices were published as Annex 2 and Annex 3 to the Consultation Letter.

modifications. One of the respondents suggested a minor drafting change to the proposed modifications set out in the Notice.

8. The Authority has carefully considered the responses to the Consultation Letter. The Authority has decided to amend the proposed modifications set out in the Notice in the manner set out in Schedule 1 to this document ("the Modification"). Schedule 1 to this Modification contains the Conditions (as amended by the Modification) that will, once 56 days have passed from the publication of this Modification, have effect on and from 1 April 2012. Schedule 2 to this Modification states the reasons for and effect of any differences between the proposed modifications set out in the Notice and the Conditions in Schedule 1. These changes are for improved clarity of interpretation and do not alter the effect of the licence modification. Further details of the responses received and the Authority's consideration of the responses are set out in the Authority's decision letter⁵ ("the Decision Letter") which accompanies this Modification.

9. In accordance with section 49A(1)(b) of the Act, the reasons for making the licence modifications are: those set out in the Notice and Consultation Letter, namely to extend the Transmission Investment Incentives (TII) framework into 2012-13 and reflect capital expenditure allowances determined in line with TII funding decisions to date; and those set out in the Decision Letter and Schedule 2 of this Modification.

10. A printed copy of any document referred to in this Modification is available free of charge from the Ofgem Research and Information Centre, 9 Millbank, Westminster, SW1P 3GE (020 7901 7003 or library@ofgem.gov.uk) or from the Ofgem website (www.ofgem.gov.uk). The responses received are also available from the Ofgem Research and Information Centre or on the Ofgem website.

Now therefore:

In accordance with section 11A(1)(a) of the Act, the Authority hereby modifies the Conditions, in the manner set out in Schedule 1 of this Modification and for the reasons set out in the Notice and in Schedule 2 of this Modification, with effect on and from **1 April 2012**.

This document constitutes Notice pursuant to section 49A(1)(b) of the Act.

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



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Andrew Burgess
Associate Partner, Transmission & Distribution Policy
Duly authorised on behalf of the Gas and Electricity Markets Authority
1 June 2012

⁵ "Transmission Investment Incentives (TII): decision under section 11A(1)(a) of the Electricity Act 1989 to make modifications to electricity transmission licences to reflect the extension of the TII framework into 2012-13", 1 June 2012
<http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives/Pages/InvestmentIncentives.aspx>

SCHEDULE 1

**MODIFICATION UNDER SECTION 11A(2) OF THE ELECTRICITY ACT
1989 OF THE ELECTRICITY TRANSMISSION LICENCE OF NATIONAL
GRID ELECTRICITY TRANSMISSION PLC IN RESPECT OF SPECIAL
CONDITION D2 AND SPECIAL CONDITION D11**

Special Condition D2: Restriction on Transmission Network Revenue

Transmission Network Revenue Restriction

1. The licensee shall use its best endeavours to ensure that in any relevant year transmission network revenue shall not exceed the maximum revenue which shall be calculated in accordance with the formula given in paragraph 2 below.

Formula for Transmission Network Revenue Restriction

2. In respect of the relevant year commencing 1 April 2012 and each subsequent relevant year t, maximum revenue shall be calculated in accordance with the following formula:

$TO_t = PR_t + TIRG_t + PT_t + IP_t + CxIncRA_t + DIS_t + LC_t + TS_t - K_t + TOIAT_t + TOInct$
where:

TO_t means maximum 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 £1263.8m (being in 2009/10 prices). This takes into account a provisional aggregate 2012/13 TII allowance of £313.2m (in 2009/10 prices);

$RPIF_t$ 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:

$$RPIF_t = RPIA_{t-2} \times (1+GRPIF_{t-1}) \times (1+GRPIF_t)$$

where:

$$RPIA_t = RPI_t / RPI_{2009-10}$$

$$GRPIF_t = 0.75 * GRPIF_c + 0.25 * GRPIF_{c+1}$$

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

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 relevant year t.

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.

GRPIF_c means the Retail Prices Index Forecast Growth Rate for the calendar year c, where c is the calendar year 2012 and the expressions c-1 and c+1 should be interpreted accordingly. In each such case this information is taken from the November 2011 edition of the HM Treasury publication “Forecasts for the UK Economy”, 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

TIRG_t means, for each TIRG relevant year t, the aggregate of the annual revenue allowances for each transmission investment project specified in annex A to special condition D3 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Investment for Renewable Generation) and shall be calculated in accordance with that special condition;

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 D4 (Pass Through Items);

IP_t means incentive revenue adjustment term, whether of a positive or of a negative value, calculated for the relevant year t in accordance with special condition D5 (Incentive Payments);

$CxIncRA_t$ means the capital expenditure incentive revenue adjustment term, whether of a positive or of a negative value, calculated in accordance with special condition D9 (Capital Expenditure Incentive and Safety Net).

DIS_t means the difference (whether of a positive or negative value) between:

- (a) the total amount charged to the licensee in relevant year $t-1$ by Scottish Hydro-Electric Transmission Ltd and SP Transmission plc in respect of Site-Specific Charges (as such charges are defined in Schedule Ten of the STC); and
- (b) the total income recovered by the licensee in respect of excluded services in relevant year $t-1$ from customers in the respective transmission areas of each of Scottish Hydro-Electric Transmission Ltd and SP Transmission plc.

In respect of the relevant year commencing 1 April 2008 and each subsequent relevant year t , ER_t shall take the value zero;

LC_t means the revenue adjustment term, whether of a positive or of a zero 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 3 of this condition.

TS_t means the difference, whether of a positive or of a negative value, between:

- (a) the total amount charged to the licensee in relevant year $t-1$ by Scottish Hydro-Electric Transmission Ltd, SP Transmission plc, in respect of transmission owner final

sums (as such charges are defined in schedule nine of the STC); and

- (b) an amount equal to the income received by the licensee in the relevant year t-1 in respect of users who terminate relevant bilateral agreements for connection and/or access rights to the GB transmission system in the respective transmission areas of each of Scottish Hydro-Electric Transmission Ltd, SP Transmission plc prior to commencing use of the GB transmission system (for the avoidance of doubt, including any amounts that are treated as capital contributions);

TOInc_t means, for each relevant year t, the revenue adjustment in respect of Transmission Investment Incentives Projects which is defined in special condition D11 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Asset Owner Incentives) and shall be calculated in accordance with that condition;

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

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

where:

AR_{t-1} means, subject to paragraph 3 of special condition D6 (Adjustments to Transmission Network Revenue), transmission network revenue, in respect of the relevant year t-1 provided that in calculating AR_{t-1} for the purpose of K_t no account shall be taken of any positive or negative revenue in respect of the provision of transmission network services in any relevant year preceding t-1 other than such revenue as it is in the reasonable opinion of the Authority reasonable and appropriate to take into account;

TO_{t-1} means the maximum revenue in the relevant year t-1

I_t means the average specified rate as defined in special condition D1 (Definitions); and

PI_t means the penalty interest rate in relevant year t which is equal to, where $(AR_{t-1} - TO_{t-1})$ has a positive value and transmission network revenue in relevant year $t-1$ exceeds the maximum revenue in relevant year $t-1$ by more than 2.75 per cent, the value four, otherwise is equal to the value zero.

$TOIAT_t$ means, in respect of each relevant year t , the amount of any income adjustment determined by the Authority in accordance with paragraph 4.

3. For the purposes of paragraph 2, LC_t shall comprise the capital expenditure and operating expenditure costs incurred in the period 1 April 2007 to 31 March 2012, and reported to the Authority in accordance with standard condition B15 (Price Control Review Information), by the licensee against the following cost categories:

- (a) underground cable tunnels up to a cap of £60,000,000 (in 2004/05 values);
- (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.

4 (a) Where the licensee considers, and can provide supporting evidence, that it has incurred or saved costs and/or expenses in excess of £1,000,000 as a result of one or more transmission owner income adjusting event(s) relating to relevant security costs, the licensee shall give notice of the costs and/or expenses incurred or saved as a result of such event or events to the Authority. A notice provided to the Authority in relation to costs and/or expenses shall give particulars of:

- (i) the event(s) to which the notice relates and the reason(s) why the licensee considers each such event to be a transmission owner income adjusting event;
- (ii) the amount of any change in costs and/or expenses that can be demonstrated by the licensee to have been incurred or saved as a result of each such event and how the amount of these costs and/or expenses has been calculated;
- (iii) the amount of any allowed income adjustment proposed by the licensee as a consequence of each such 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 below fully to assess the event(s) to which the notice relates.
- (b) A notice under paragraph 4(a) shall be given by the licensee to the Authority as soon as is reasonably practicable after the occurrence of the transmission owner income adjusting event(s) to which it relates.
- (c) If the Authority considers that the analysis or information provided in the notice under paragraph 4(a) above is insufficient to enable both the Authority and the relevant parties referred to in paragraph 4(f) below to assess whether the transmission owner income adjusting event(s) has occurred and/or the amount of any allowed income adjustment that should be determined by it, the Authority can request that the supporting evidence be supplemented with additional information that it considers appropriate.
- (d) The Authority will make public, excluding any confidential information, any notice of an income adjusting event following its receipt.
- (e) Any notice under paragraph 4(a) should identify clearly whether any of the information contained in it is confidential. 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 any person to which it relates; and
 - (ii) the extent to which the disclosure of the information is necessary for the purposes of enabling the relevant parties referred to in paragraph 4(f) below fully to assess the event to which the notice relates.
- (f) The Authority shall determine (after consultation with the licensee and such other persons as it considers desirable (the “relevant parties”)):
 - (i) whether any or all of the costs and/or expenses set out in any notice given under paragraph 4(a) have been incurred as a result of one or more transmission owner income adjusting event(s);
 - (ii) 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 the income adjusting event(s) had not taken place and, if not, what allowed income adjustment would secure that effect; and
 - (iii) the periods, if any, over which any adjustment to the licensee’s allowed income should apply.
- (g) In relation to relevant year t, the allowed income adjustment (TOIAT_t) shall be:
 - (i) the value determined by the Authority pursuant to paragraph 4(f) above; or
 - (ii) if the Authority has not made a determination pursuant to paragraph 4(f) within three months of the date on which notice under paragraph 4 (a) above was provided to the

Authority, or if the Authority has requested further information from the licensee in accordance with paragraph 4(c) above and the Authority has not made a determination within three months of receiving such further information from the licensee, the amount of the allowed income adjustment proposed in the notice given to the Authority under paragraph 4(a); or

- iii) in all other cases zero, including situations where the Authority has requested additional information from the licensee in accordance with paragraph 4(c) above and the licensee has not provided that information.
- (h) The Authority's decision in relation to any notice given under this paragraph shall be in writing, shall be copied to the licensee and shall be in the public domain.
- (i) The Authority may revoke an approval of an income adjusting event and allowed income adjustment, 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.

Special Condition D11 – Adjustment to the Transmission Network Revenue Restriction due to Transmission Asset Owner Incentives

1. Not used.

1A. In this condition:

“Transmission Investment Incentives Project”	means a transmission investment project for which project-specific capital expenditure allowances are reflected in the provisions under this condition;
“scheduled project”	means a Transmission Investment Incentives Project for which project details are specified in Annex A to this condition in respect of funded pre-construction works and/or funded construction works;
“project details”	means one or more of the following particulars specified in Annex A to this condition in respect to a given scheduled project: <ul style="list-style-type: none">• Pre-construction cost allowances;• Construction cost allowances;• Key project milestones; and• Forecast output measures;
“funded pre-construction works”	means specific works planned or undertaken by the licensee in respect of a given scheduled project, being those works for which key project milestones are defined in respect of pre-construction works and which are identified by the Authority as in scope of pre-construction cost allowances;
“funded construction works”	means specific works planned or undertaken by the

licensee in respect of a given scheduled project, being those works for which key project milestones and forecast output measures are defined in respect of construction works and which are identified by the Authority as in scope of construction cost allowances;

“relevant year” means a financial year commencing on or after 1 April 2009;

“relevant year t” means that relevant year for the purposes of which any calculation falls to be made; and

“further works” means specific works planned or undertaken by the licensee on a given Transmission Investment Incentives Project for which capital expenditure allowances are determined after 1 April 2012 in respect of any relevant year prior to the relevant year commencing 1 April 2013.

1B. As it applies in the relevant year commencing 1 April 2012 and all subsequent relevant years, the purposes of this condition are to establish:

- (i) the basis of revenue adjustments, as set out in Part 1 of this condition, to the licensee’s allowed revenue in the relevant year commencing 1 April 2012 and each subsequent relevant year t, in so far as it relates to Transmission Investment Incentives Projects;
- (ii) the basis and procedure for determining and directing appropriate amendments

to project details of a given scheduled project where an asset value adjusting event as defined in paragraph 3 of this condition has occurred;

(iii) the information to be provided to the Authority, as set out in Part 2 of this condition, in relation to Transmission Investment Incentives Projects; and

(iv) the basis and procedure for determining and directing appropriate amendments to forecast output measures of a given scheduled project where an output measures adjusting event as defined in paragraph 10 of this condition has occurred.

Part 1 – Basis of revenue adjustments

1C. (a) For the purposes of paragraph 2 of Special Condition D2 (Restriction on Transmission Network Revenue), for the relevant year commencing 1 April 2012, $TOInc_t$ shall be calculated in accordance with the following formula:

$$TOInc_t = CxIncTO_t \times RPIF_t$$

where:

$CxIncTO_t$ is the value of the provisional revenue adjustment term for the relevant year t (in 2009-10 prices) in respect of the application of the capital expenditure incentive regime on the difference between expenditure incurred and total capital expenditure allowance in respect of scheduled projects for the years 2009/10 and 2010/11 and shall take the value set out in the table below:

Relevant year t commencing on 1 April	2012
$CxIncTO_t$	-£4,140,000

; and

RPIF_t is the price index adjustment for the formula year t, and shall take the same meaning as is given to that term in the definition of the PR_t term in paragraph 2 of Special Condition D2 (Restriction on Transmission Network Revenue).

(b) Any revenue adjustments determined by the Authority under paragraph 2A or 2B of this condition on or after 1 April 2012 will not affect the licensee's allowed revenue for any relevant year prior to the relevant year commencing 1 April 2013.

2. Not used.

2A.(a) Further revenue adjustments may be determined by the Authority to reflect the difference between:

- (i) the total capital expenditure allowance in respect of Transmission Investment Incentives Projects that was assumed by the Authority for the purposes of setting the licensee's allowed revenue for a given relevant year n prior to the relevant year commencing 1 April 2013, and
- (ii) the total capital expenditure allowance in respect of Transmission Investment Incentives Projects, expressed in 2009/10 prices, determined by the Authority for the same relevant year n.

(b) The total capital expenditure allowance referred to in subparagraph (a)(ii) shall be derived from the sum of:

- (i) the initial allowance, expressed in 2009/10 prices, which shall take the value set out in the table below:

Total costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13

Initial allowance	2.093	72.110	146.396	177.691
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; and

(ii) the allowance adjustment, expressed in 2009/10 prices, which shall take the value of zero for each relevant year n unless directed otherwise by the Authority in writing on or before 31 March 2014.

(c) The total capital expenditure allowance referred to in subparagraph (a)(i) shall take the same value as the initial allowance as set out in the table in subparagraph (b)(i) for each of the relevant years n commencing 1 April 2009, 1 April 2010 and 1 April 2011 and shall take the value £313.2 million for the relevant year n commencing 1 April 2012.

(d) For the purposes of subparagraph (b)(ii), the Authority shall take into account:

(i) any capital expenditure allowances determined by the Authority in respect of further works, whether or not these are reflected in project details in Annex A;

(ii) any determinations under subparagraph 3(e) in respect of scheduled projects;
and

(iii) any overlap with funding provided to the licensee under any other revenue recovery arrangements.

(e) A revenue adjustment determined by the Authority under subparagraph (a) will be made on 1 April 2013 and may be made on 1 April in any subsequent relevant year following a direction under subparagraph (b)(ii).

2B.(a) The Authority may determine further revenue adjustments in relation to the application of the capital expenditure incentive regime on the difference between expenditure incurred by the licensee and total capital expenditure allowance determined by the Authority in respect of Transmission Investment Incentives Projects for the relevant years n prior to the relevant year commencing 1 April 2013.

(b) A revenue adjustment determined by the Authority under subparagraph (a) will be made on 1 April 2014 taking into account the provisional revenue adjustment referred to in subparagraph 1C(a) and may be made on 1 April in any relevant year following:

- (i) a direction under subparagraph 2A(b)(ii) of this condition; and/or
- (ii) completion by the Authority of its full efficiency review of expenditure incurred by the licensee over the relevant years 2009/10, 2010/11, 2011/12 and 2012/13 in respect of one or more Transmission Investment Incentives Projects.

2C. When determining revenue adjustments under paragraph 2A or 2B the Authority shall take full account of the substance and effect of any determinations under subparagraph 3(e) or subparagraph 10(e) of this condition and any project-specific provisions determined by the Authority for further works. The revenue adjustment determined by the Authority under subparagraph 2A(a) or subparagraph 2B(a) shall be such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if the allowance adjustment directed by the Authority under subparagraph 2A(b)(ii) in respect of a given relevant year n had been known at the time of setting the licensee's allowed revenue for that relevant year n, and the same as if the revenue adjustment determined by the Authority under sub-paragraph 2B(a) had been taken into account by the Authority for the purposes of setting the licensee's allowed revenue for the relevant year commencing 1 April 2013.

2D. When the Authority determines a revenue adjustment under paragraph 2A or 2B the Authority may also determine an adjustment to the total asset value in respect of Transmission Investment Incentives Projects.

Asset value adjusting event

- 3. (a) For the purpose of this condition, an asset value adjusting event means relevant additional pre-construction works or a relevant amendment to the scope of construction works, that the Authority is satisfied is expected to cause costs and/or expenses to be incurred or saved in relation to the scheduled project i, where the Authority is satisfied that those costs and expenses:
 - (i) are expected to result in a material increase or decrease to the total

capital expenditure for the scheduled project i for the relevant years 2011/12 to 2012/13;

- (ii) are expected to be efficiently incurred or saved, and
 - (iii) can not otherwise be recovered under the revenue allowance provided by this condition or any other provision within this transmission licence.
- (b) For the purposes of subparagraph (a) –
- (i) “relevant additional pre-construction works” means an amendment to the scope of the pre-construction works carried out or expected to be carried out by the licensee during the relevant years 2011/12 to 2012/13 as a result of the terms and/or conditions of any statutory consent, approval or permission in respect of funded pre-construction works on the scheduled project i (including but not limited to planning consent); and
 - (ii) “relevant amendment to the scope of construction works” means an amendment to the scope of construction works that is necessary to comply with the terms and/or conditions of any statutory consent, approval or permission in respect of funded construction works on the scheduled project i (including but not limited to planning consent).
- (c) Where the licensee considers, and can provide supporting evidence that, an asset value adjusting event has occurred in relation to the scheduled project i, the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event within three months after the end of the relevant year in which that event has occurred (or at such later date as the Authority notifies to the licensee for the purposes of this subparagraph).
- (d) A notice provided under subparagraph (c) shall give particulars of:
- (i) the asset value adjusting event to which the notice relates and the

reason(s) why the licensee considers that event to be an asset value adjusting event, identifying the scheduled project i to which the notice relates and including details of and reasons for the relevant additional pre-construction works and/or relevant amendment to the scope of construction works (as appropriate);

- (ii) the costs and/or expenses that the licensee can demonstrate are expected to be incurred or saved by that event and how the amount of those costs and/or expenses have been calculated;
- (iii) the amount of any material increase or decrease in the total capital expenditure for the scheduled project i for relevant years 2011/12 to 2012/13 that the licensee can demonstrate is expected to occur as a result of that event and how the amount of that increase or decrease has been calculated;
- (iv) the reasons why the licensee considers that the costs and/or expenses can not otherwise be recovered under the revenue allowance provided by this special condition or any other provision within this licence;
- (v) the amount of any adjustment proposed to the pre-construction cost allowance and/or construction cost allowance (as appropriate) in respect of the scheduled project i for the relevant years 2011/12 to 2012/13 as a consequence of that event and how this adjustment has been calculated;
- (vi) not used;
- (vii) not used;
- (viii) relevant internal papers where revised expenditure has been requested and relevant supporting information;
- (ix) a statement from independent technical advisers setting out that in their opinion the relevant additional pre-construction works and/or relevant amendment to the scope of construction works (as

appropriate) as identified in the notice fairly reflect the asset value adjusting event and a statement from independent auditors setting out that in their opinion the notice fairly presents the costs and expenses that have been incurred or saved by the relevant additional pre-construction works and/or relevant amendment to the scope of construction works (as appropriate);

(x) a statement on the impact of such an adjustment on the output measures associated with relevant scheduled project i, and,

(xi) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.

(e) Where the Authority receives a notice under subparagraph (c), the Authority may seek any other analysis or information that the Authority considers relevant to the Authority's assessment of the event in order to reach a determination and shall take into account further information provided by the licensee for this purpose within one month of submission of the notice under subparagraph (c) (or such other date as the Authority notifies to the licensee for the purposes of this paragraph). Following consultation with other parties as it considers may be affected by its determination, the Authority shall then determine:

(i) whether an asset value adjusting event has occurred in respect of the scheduled project i;

(ii) where the Authority determines that an asset value adjusting event has occurred in respect of the scheduled project i, whether the scheduled project i will remain economically efficient as a consequence of that asset value adjusting event;

(iii) not used; and

(iv) an adjustment to the pre-construction cost allowance and/or construction cost allowance (as appropriate) in respect of the scheduled project i for the relevant years 2011/12 to 2012/13;

- (f) Where the Authority determines under subparagraph (e) that an asset value adjusting event has occurred in respect of scheduled project i and that the scheduled project i will remain economically efficient as a consequence of that asset value adjusting event, the adjustments to the pre-construction cost allowance and/or construction cost allowance (as appropriate) in respect of the scheduled project i for the relevant years 2011/12 to 2012/13 determined by the Authority under subparagraph (e) shall be such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if that asset value adjusting event had been known at the time of setting the pre-construction cost allowance and/or construction cost allowance (as appropriate) for the scheduled project i for the relevant years 2011/12 to 2012/13;
- (g) Where the Authority makes a determination under subparagraph (e) that an asset value adjusting event has occurred the Authority may direct any necessary amendments to the project details specified in Annex A for the scheduled project i as a result of that event to reflect the determination under subparagraph (e);
- (h) The Authority may revoke a determination made under subparagraph (e) following consultation with the licensee and may direct any necessary consequential amendments to Annex A;
- (i) Not used; and
- (j) Where the licensee notifies the Authority of an asset value adjusting event under subparagraph (c), the licensee shall ensure that the costs and/or expenses that are the subject of that notification are not also notified to the Authority in relation to any other revenue recovery arrangements.

4. Not used.

5. Not used.

6. Not used.

7. Not used.

Part 2 - Information to be provided to the Authority in connection with Transmission Investment Incentives Projects

8. For each Transmission Investment Incentives Project i, the licensee shall provide the Authority with the following in respect of funded pre-construction works and/or funded construction works (as applicable) and any further works:
- (a) not later than three months after the end of each relevant year t in which pre-construction works take place (or such later date as the Authority may notify to the licensee):
 - (i) a pre-construction technical report, setting out the technical milestones achieved in respect of the preceding relevant year and the extent to which the Transmission Investment Incentives Project i complies with the key project milestones (as applicable) specified in Annex A to this condition for the relevant Transmission Investment Incentives Project i, and
 - (ii) a pre-construction expenditure report, setting out an itemised report of the pre-construction expenditure incurred for the Transmission Investment Incentives Project i in respect of the preceding relevant year.
 - (b) Not later than three months after the end of each relevant year t in which pre-construction works are completed (or such later date as the Authority may notify to the licensee) an auditor's statement in respect of the expenditure incurred by the licensee and notified to the Authority in accordance with paragraph 8(a)(ii) of this condition in respect of each relevant Transmission Investment Incentives Project i in the pre-construction period.
 - (c) Not later than three months after the end of each relevant year t in which

construction works take place (or such later date as the Authority may notify to the licensee):

- (i) a construction technical report, setting out the technical milestones achieved in respect of the preceding relevant year and the extent to which the Transmission Investment Incentives Project i complies with the output measures and key project milestones (as applicable) specified in Annex A to this condition for the relevant Transmission Investment Incentives Project i, and
 - (ii) a construction expenditure report setting out an itemised report of the construction expenditure incurred for the Transmission Investment Incentives Project i in respect of the preceding relevant year.
- (d) Not later than three months after the end of each relevant year t in which construction works are completed (or such later date as the Authority may notify to the licensee):
- (i) a post construction technical report, accompanied by a construction completion certificate from independent technical advisers, setting out the actual capability of the Transmission Investment Incentives Project i and the extent to which the Transmission Investment Incentives Project i complies with the output measures (as applicable) specified in Annex A to this condition for the relevant Transmission Investment Incentives Project i, and
 - (ii) an auditor's statement in respect of the expenditure incurred by the licensee and notified to the Authority in accordance with paragraph 8(c)(ii) of this condition in respect of each relevant Transmission Investment Incentives Project i in the construction period.

9. The Authority may require the licensee to provide it with such information in such form and within such time as it may reasonably request which is, in the Authority's opinion, necessary in order to carry out any of its functions under this condition.

Output measures adjusting event

10. (a) The output measures specified in Annex A to this condition in respect of funded construction works may be amended in accordance with this paragraph.
- (b) For the purpose of this condition, an output measures adjusting event means a relevant amendment to the scope of the construction works (as defined in paragraph (3)(b)(ii) to this condition) which the Authority is satisfied is expected to cause a material change in the output measures specified in Annex A to this condition for the scheduled project i.
- (c) Where the licensee considers, and can provide supporting evidence that, an output measures adjusting event has occurred in relation to the scheduled project i, then the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event prior to the commencement of relevant construction works (or at such later date as the Authority notifies to the licensee for the purposes of this subparagraph).
- (d) A notice provided under subparagraph (c) shall be accompanied by a statement from independent technical advisers setting out the amended scope of construction works and shall give particulars of:
- (i) the output measures adjusting event to which the notice relates and the reason(s) why the licensee considers that event to be an output measures adjusting event, identifying the scheduled project i to which the notice relates and including details of and reasons for the relevant amendment to the scope of construction works;
 - (ii) output measures adjustment proposed as a consequence of that event and how this output measures adjustment has been calculated; and
 - (iii) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.
- (e) Where the Authority receives a notice under subparagraph (c), the Authority

may seek any other analysis or information that the Authority considers relevant to the Authority's assessment of the event in order to reach a determination and shall take into account further information provided by the licensee for this purpose within one month of submission of the notice under subparagraph (c) (or such other date as the Authority notifies to the licensee for the purposes of this paragraph). Following consultation with other parties as it considers may be affected by its determination, the Authority shall then determine:

- (i) whether an output measures adjusting event has occurred in respect of the scheduled project i; and
 - (ii) where the Authority determines that an output measures adjusting event has occurred in respect of the scheduled project i, an output measures adjustment in respect of the scheduled project i.
- (f) Where the Authority makes a determination under subparagraph (e) that an output measures adjusting event has occurred the Authority may direct any necessary amendments to the output measures contained in Annex A for the relevant scheduled project i as a result of that event to reflect the determination under subparagraph (e).
- (g) The Authority may revoke a determination made under subparagraph (e) following consultation with the licensee and may direct any necessary consequential amendments to Annex A.

Annex A to Special Condition D11: Supplementary Provisions

1. Not used.
2. Not used.
3. Not used.
4. Not used

1A. This Annex A sets out project details for funded pre-construction works and funded construction works (as applicable) in respect of scheduled projects. The Authority may direct amendments to this Annex A in accordance with the provisions of paragraph 3 and paragraph 10 of this condition.

Anglo Scottish Incremental

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works
- Funded construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	4.923	4.430	1.005
Construction cost allowance	0.000	0.000	30.861	31.128

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>Series compensation – provide evidence to show that:</p> <p>Pre-construction initial design works and site studies have been completed during 2010/11: provide evidence that single line diagrams, physical layouts and site</p>	<p>Series compensation – provide evidence to show that:</p> <p>The planning permission and purchase of land, easements and wayleaves are progressing in line with completion of planning process during 2012/13.</p> <p>Shunt</p>	<p>Series compensation – provide evidence to show that pre-construction works have been completed.</p> <p>This will include:</p> <ul style="list-style-type: none"> • Confirmation that system studies have been completed • Single line diagrams and site layout

		<p>proposals have been completed.</p> <p>Complete optioneering report to determine optimum mix between Series/Shunt compensation and determine optimum location for proposed compensation.</p> <p>Complete specialist studies in support of installation of series compensation (i.e. SSR studies).</p> <p>Reconductoring of Harker-Hutton-Quernmore Tee – provide evidence to show that:</p> <p>Pre-construction works have commenced: Provide evidence to show that design works are progressing and that that a</p>	<p>compensation – provide evidence to show that:</p> <p>Pre-construction initial design works and site have been completed during 2010/11: provide evidence that single line diagrams, physical layouts and site proposals have been completed.</p> <p>Reconductoring of Harker-Hutton-Quernmore Tee – provide evidence to show that:</p> <p>All pre-construction works have completed during 2011/12: Provide evidence of project design, route ID, site studies and environmental assessments. Confirm that planning consents are</p>	<p>diagrams</p> <ul style="list-style-type: none"> • Confirmation that all consents are place • Confirmation that civil design works are complete.
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		detailed programme for obtaining planning consents is available.	achieved.	
For funded construction works			<p>Shunt compensation – provide evidence to show that:</p> <p><i>At Harker substation:</i></p> <p>All pre-construction works have progressed in accordance with detailed programme.</p> <p>Plant layout drawings, single line diagrams and outline civil design works are complete.</p> <p>Post-fault switching scheme is being developed in conjunction with SPT.</p> <p>MSCDN equipment has been ordered.</p> <p>Establish construction site</p>	<p>Shunt compensation – provide evidence to show that:</p> <p><i>At Harker substation:</i></p> <p>Detailed design is complete and construction drawings have been issued.</p> <p>Final design of the post fault switching scheme has been confirmed.</p> <p>A detailed construction programme for the installation of MSCs in 2013/14 is complete. Construction works are progressing in line with a commissioning date in 2014.</p> <p>All remaining equipment has</p>

		<p>offices/ working areas, fences, etc.</p> <p><i>At Stella West substation:</i></p> <p>All pre-construction works have progressed in accordance with detailed programme.</p> <p>Plant layout drawings, single line diagrams and outline civil design works are complete.</p> <p>Post-fault switching scheme is being developed in conjunction with SPT.</p> <p>MSCDN equipment has been ordered.</p> <p>Establish construction site offices/ working areas, fences, etc.</p> <p><i>At Hutton substation:</i></p> <p>All pre-construction works have</p>	<p>been ordered.</p> <p><i>At Stella West substation:</i></p> <p>Detailed design is complete and construction drawings have been issued.</p> <p>Final design of the post fault switching scheme has been confirmed.</p> <p>A detailed construction programme for the installation of MSCs in 2013/14 is complete.</p> <p>Construction works are progressing in line with a commissioning date in 2014.</p> <p>All remaining equipment has been ordered.</p> <p><i>At Hutton substation:</i></p> <p>Detailed design is complete and construction drawings have been issued.</p>
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			<p>progressed in accordance with detailed programme.</p> <p>Plant layout drawings, single line diagrams and outline civil design works are complete.</p> <p>Post-fault switching scheme is being developed in conjunction with SPT.</p> <p>MSCDN equipment has been ordered.</p> <p>Planning Application for development of site has been submitted to Local Authority.</p> <p>Establish construction site offices/ working areas, fences, etc.</p>	<p>Final design of the post fault switching scheme has been confirmed.</p> <p>A detailed construction programme for the installation of MSCs in 2013/14 is complete.</p> <p>Construction works are progressing in line with a commissioning date in 2014.</p> <p>All remaining equipment has been ordered.</p> <p>Reconductoring of Harker-Hutton-Quernmore Tee – provide evidence to show that construction work has commenced and is progressing in line with the project programme.</p> <p>This will include:</p> <ul style="list-style-type: none"> • Evidence to show all
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				<p>remaining site access consents are in place</p> <ul style="list-style-type: none"> • Completion of site access accommodation works • Evidence that all materials have been ordered • Evidence that asset replacement of tower furniture has commenced • Evidence that asset replacement of step bolts has commenced • Evidence that all non-outage steelwork replacement has been completed.
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3. Forecast output measures

Description of output measures for funded construction works	By 31 March 2012	By 31 March 2013	Upon completion (if not completed by 31 March 2013)
Installation of shunt compensation at Harker (x2), Stella West (x2) and Hutton	Not complete.	Not complete.	Upon completion in 2013/14, increase in network capacity across the B6 boundary of 400MW.
Harker-Hutton-		Not complete.	The rating of this

Quernmore Tee Reconductoring			circuit should be improved to have a pre-fault winter rating of 2800MVA by 31st March 2014.
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Central Wales

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	1.181	1.772	2.009

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>For the Central Wales- Ironbridge 400kV circuit and the Central Wales substation – provide:</p> <p>A detailed programme for both elements of works by 1 April 2011.</p> <p>Evidence that planning consultations with relevant parties have</p>	<p>Central Wales substation – provide evidence to show that:</p> <p>Project design is being progressed and that planning applications have been submitted to LPAs in line with programme.</p> <p>Central Wales- Ironbridge 400kV circuit</p>	<p>Central Wales substation – provide evidence to show that:</p> <p>Pre-construction work has progressed in line with programme.</p> <p>Central Wales - 400kV circuit – provide evidence to show that:</p> <p>Pre-</p>

		<p>commenced.</p> <p>Provide evidence that route surveys are underway and that EIA surveys are progressing towards completion.</p> <p>Central Wales- Ironbridge 400kV circuit only – provide a complete optioneering report.</p>	<p>– provide evidence to show that:</p> <p>Evidence that the initial planning consultations with relevant parties have been completed.</p> <p>Planning application being prepared for submission to IPC.</p> <p>Project design is being progressed in line with completion of pre-construction works in 2013.</p>	<p>construction work has progressed in line with programme.</p>
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East Anglia

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works
- Funded construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	5.759	3.150	3.014
Construction cost allowance	2.093	34.506	72.159	53.243

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>Reconductoring of Walpole-Norwich-Bramford 400kV circuit: Norwich-Walpole reconductoring – provide evidence to show that:</p> <p>Pre-construction works are complete: Provide evidence to show that design works are completed and that planning consents are achieved.</p>	<p>Reconductoring of Walpole-Norwich-Bramford 400kV circuit: Norwich-Bramford reconductoring – provide evidence to show that:</p> <p>Reconductoring pre-construction works have been completed. Provide evidence of completion of design works and confirm status of</p>	<p>Bramford substation – provide evidence to show that:</p> <p>All pre-construction work has been completed.</p> <p>Bramford-Twinstead tee 400kV circuit - provide evidence to</p>

		<p>Bramford substation – provide evidence to show that:</p> <p>Plant layout drawings, single line diagrams and civil design works are complete. Provide evidence of 300kV GIS order.</p> <p>Quadrature boosters (QBs) – provide evidence to show that:</p> <p>Optioneering report has been completed for the development of QBs at either Walpole/Norwich Bramford.</p> <p>A detailed programme has been produced for delivery of QBs in 2016/17.</p> <p>Pre-construction works have progressed in accordance with detailed programme, (design, single line diagram, site and routing studies, EIA, planning and IPC consents and land</p>	<p>required consents.</p> <p>Bramford substation – provide evidence to show that:</p> <p>Planning consents have been submitted and IP3 has been achieved/completed.</p> <p>Quadrature boosters (QBs) – provide evidence to show that:</p> <p>Pre-construction works are progressing in accordance with detailed programme, (design, single line diagram, site and routing studies, EIA, planning and IPC consents and land purchase/wayleaves) to begin construction works in 2016/17).</p> <p>Bramford-Twinstead tee 400kV circuit – provide evidence to show that:</p> <p>Evidence that initial planning consultations with relevant parties have</p>	<p>show that:</p> <p>Pre-construction work has progressed in line with programme.</p>
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		<p>purchase/wayleaves) to begin construction works in 2016/17.</p> <p>Bramford-Twinstead tee 400kv circuit – provide evidence to show that:</p> <p>An optioneering report has been completed.</p> <p>A detailed programme for both elements of works has been produced by 1 April 2011.</p> <p>Evidence that planning consultations with relevant parties have commenced.</p> <p>Provide evidence that route surveys are underway and that EIA surveys are progressing towards completion.</p>	<p>been completed.</p> <p>Planning application being prepared for submission to IPC.</p> <p>Project design is being progressed in line with completion in 2016/17.</p>	
For funded construction works	<p>Bramford substation – provide evidence to show that:</p> <p>Civil works are underway</p>	<p>Norwich-Walpole reconductoring – provide evidence to show that:</p> <p>Works have started as programmed.</p> <p>Bramford substation – provide evidence to</p>	<p>Norwich-Walpole reconductoring – provide evidence to show that:</p> <p>Reconductoring of circuits is completed in 2011/12. Confirm that works have finished as</p>	<p>Reconductoring of Walpole-Norwich-Bramford 400kV circuit: Norwich-Bramford reconductoring – provide</p>

	<p>at substation site from March 2010.</p>	<p>show that: Civil works have progressed at substation site and that works have started on substation structures.</p>	<p>programmed.</p> <p>Norwich-Bramford reconductoring – provide evidence to show that: Reconductoring has started by showing that plant has been ordered.</p> <p>Bramford substation – provide evidence to show that: Civil and substation structures works have progressed to allow installation of GIS equipment and that remaining plant has been ordered.</p>	<p>evidence to show that construction work has commenced in line with re-conductoring being completed by 31st March 2014.</p> <p>This will include:</p> <ul style="list-style-type: none"> • Evidence that pre-access works including temporary roadways and scaffolds are in place • Tower steelwork replacement has commenced • All materials have been delivered <p>Bramford substation – provide evidence to show that: Work has been carried out to turn-in relevant transmission circuits at Bramford substation.</p> <p>Construction work is</p>
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				progressing in line with a completion date of 2017.
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3. Forecast output measures

Description of output measures for funded construction works	By 31 March 2012	By 31 March 2013	Upon completion (if not completed by 31 March 2013)
Reconductoring of Walpole-Norwich 400kV circuit	The rating of this circuit should be improved to have a pre fault winter rating of 2580MVA and a post fault winter rating of 3070MVA.		
Reconductoring of Norwich-Bramford 400kV circuit	Not complete.	Not complete.	The rating of this circuit should be improved to have a pre fault winter rating of 2580MVA and a post fault winter rating of 3070MVA by 1 April 2014.
New Bramford 400kV substation	Not complete.	Not complete.	A new 400kV substation should be commissioned at Bramford by 1 April 2017.

Eastern HVDC link

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	0.738	1.582	0.964

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>Eastern HVDC submarine link – provide evidence to show that:</p> <p>Preliminary works including network designs, high level programmes and plans, potential routes, installation designs, land/environmental appraisals and single line diagrams have been completed in preparation for planning application.</p>	<p>Eastern HVDC submarine link – provide evidence to show that:</p> <p>There has been progression of site/routing studies, detailed design solutions, consultations and impact assessments in preparation for planning application.</p> <p>Hawthorn Pit/Lackenby substations –</p>	<p>Eastern HVDC submarine link – provide evidence to show that:</p> <p>Further survey work on the proposed route has been undertaken.</p> <p>Further progress in consenting the onshore works has been made.</p>

			<p>provide evidence to show that:</p> <p>Preliminary works have commenced, including high level programmes and plans, potential routes, installation designs, land/environmental appraisals and single line diagrams in preparation for planning application.</p>	<p>Hawthorn Pit/Lackenby substations – provide evidence to show that:</p> <p>A preferred landing point has been confirmed and that design work has commenced.</p> <p>Environmental and geotechnical surveys have commenced.</p>
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Humber

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	1.969	3.642	7.032

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>For either a Humber-Walpole HVDC link or 400kV OHL – provide evidence to show that:</p> <p>An optioneering report has been completed to determine the optimum solution.</p> <p>Preliminary works including network designs, high level programmes and plans, potential routes, installation designs, land/environmental</p>	<p>For either a Humber-Walpole HVDC link or 400kV OHL – provide evidence to show that:</p> <p>There has been progression of site/detailed route studies, detailed design solutions, consultations and EIAs.</p> <p>Substation</p>	<p>For either a Humber-Walpole HVDC link or 400kV OHL – provide evidence to show that:</p> <p>Pre-construction work has progressed in line with programme.</p> <p>Substation works at Humber and Walpole –</p>

		<p>appraisals and single line diagrams have been completed in preparation for planning application.</p> <p>Substation works at Humber and Walpole – provide evidence to show that:</p> <p>Option studies and high level designs have been completed.</p>	<p>works at Humber and Walpole – provide evidence to show that:</p> <p>Further design work including single line diagram, system design specification, construction design specification, other design requirements and internal stage 2 sanction have progressed in accordance with programme.</p>	<p>provide evidence to show that:</p> <p>Pre-construction work has progressed in line with programme.</p>
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London

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	2.954	1.969	0.000

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>Hackney-Waltham Cross – provide evidence to show that:</p> <p>An optioneering report has been completed to demonstrate optimum system design for the substation under consideration.</p> <p>Pre-construction works have started, (design, single line diagram, site and routing studies, EIA, planning and</p>	<p>Hackney-Waltham Cross – provide evidence to show that:</p> <p>Pre-construction works are complete, (design, single line diagram, site and routing studies, EIA, planning consents and land purchase/wayleaves) in line with programme to begin construction works in 2012).</p>	

		consents and land purchase/wayleaves) in line with programme to begin construction works in 2012).		
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North Wales

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works
- Funded construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	6.842	7.088	7.434
Construction cost allowance	0.000	0.000	0.000	2.646

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>Reconductoring Trawsfynydd to Treuddyn Tee – provide evidence to show that:</p> <p>Confirmation of consent decision; evidence of contract tendering, award and plant ordering are progressing in line with construction commencement in 2011.</p>	<p>For all elements of the project – provide evidence to show that:</p> <p>Planning permission submissions, together with land purchase/easements/wayleaves and environmental impact assessments have been completed in line with individual projects' respective programmes.</p>	<p>For all elements of the project – provide evidence to show that:</p> <p>Pre-construction work has progressed in line with individual projects' respective programmes.</p>

		<p>That consent exemption consultation(s) have been completed.</p> <p>Series compensation – provide evidence to show:</p> <p>Completion of initial feasibility and study options, stakeholder consultations and siting study. Also provide evidence of single line diagrams and physical layout designs.</p> <p>Pentir, Penisarwaun, Bryncir and Trawsfynydd substations – provide evidence to show:</p> <p>Completion of initial feasibility and study options, stakeholder consultations and siting study.</p> <p>Manweb 132 replacement – provide evidence to show:</p>		
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		<p>Completion of initial feasibility and study options. Stakeholder consultations have commenced.</p> <p>New Wylfa-Pentir 400kV circuit – provide evidence to show:</p> <p>Completion of initial feasibility and study options, stakeholder consultations and routing study.</p> <p>New Wylfa 400kV substation – provide evidence to show:</p> <p>Completion of initial feasibility and study options, stakeholder consultations and siting study.</p> <p>Second Pentir-Trawsfynydd 400kV circuit – provide evidence to show:</p> <p>Completion of initial feasibility and study options, stakeholder</p>		
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		consultations, siting study and cable route study for cable sections crossing Glaslyn estuary.		
For funded construction works				<p>Reconductoring Trawsfynydd to Treuddyn Tee – provide evidence to show that:</p> <p>Site mobilisation, procurement of key materials and commencement of steelwork replacement.</p>

3. Forecast output measures

Description of output measures for funded construction works	By 31 March 2012	By 31 March 2013	Upon completion (if not completed by 31 March 2013)
Trawsfynydd to Treuddyn Tee Reconductoring		Not complete.	The rating of this circuit should be improved to have a pre-fault winter rating of 2800MVA by 31st March 2015.

South West

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	2.658	2.067	3.014

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>South West new line – provide evidence to show that:</p> <p>Planning consultations with relevant parties have commenced.</p> <p>Route surveys are underway and that EIA surveys are progressing towards completion.</p>	<p>South West new line – provide evidence to show that:</p> <p>Planning works have progressed from 1 April 2011 and that project detailed design works have commenced as programmed.</p>	<p>South West new line – provide evidence to show that:</p> <p>Pre-construction work has progressed in line with programme.</p> <p>South West new substation – provide evidence to show that:</p> <p>Pre-construction work has progressed in line with programme.</p>

Western HVDC link

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works
- Funded construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	5.672	4.332	0.000
Construction cost allowance	0.000	4.907	12.867	65.726

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works		<p>Deeside 400kV substation replacement – provide evidence to show that:</p> <p>Consents application process is underway.</p> <p>Detailed design process is underway; a detailed construction</p>	<p>HVDC link – provide evidence to show that:</p> <p>Pre-contract release design is completed.</p> <p>Contracts are drawn up over the year with suppliers by 1 April 2012.</p> <p>Land access/acquisition /options and/or agreements for</p>	

		<p>plan has been drawn up and relevant environmental surveys have been commissioned.</p> <p>HVDC link – provide evidence to show that:</p> <p>Completion of network analysis studies and resulting decision on converter, cable route and landing points.</p> <p>Physical layout drawings and final decision of substation locations have been completed.</p> <p>Equipment standards and specifications for design choice have been completed.</p> <p>Sea-bed survey complete.</p>	<p>converter station have been completed.</p> <p>Pre-application consultation and environmental assessment works complete.</p> <p>Planning application submission to appropriate bodies complete.</p>	
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		<p>Consultations and EIAs are progressing in accordance with programme.</p> <p>Optimised tender design for firm price has been completed.</p>		
For funded construction works		<p>Deeside 400kV substation replacement – provide evidence to show that:</p> <p>Plant/material ordering has occurred in line with the planned construction start date in 2011/12.</p>	<p>Deeside 400kV substation replacement – provide evidence to show that:</p> <p>Project has progressed in accordance with the detailed programme.</p>	<p>Deeside 400kV substation replacement – provide evidence to show that:</p> <p>Construction work has progressed in line with the detailed programme.</p> <p>This will include:</p> <ul style="list-style-type: none"> • Construction has commenced on the GIS building • Installation of the GIS switchboard has commenced • Civils work to allow the installation of

				transformers <ul style="list-style-type: none"> • Construction of associated overhead line towers has commenced.
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3. Forecast output measures

Description of output measures for funded construction works	By 31 March 2012	By 31 March 2013	Upon completion (if not completed by 31 March 2013)
Deeside 400kV substation replacement	Not complete.	Not complete.	A new 400kV substation at Connah's Quay: <ul style="list-style-type: none"> • ready to connect the Western HVDC by 31st December 2015 • fully replacing the existing 400kV substation at Deeside by 31 March 2018.

Wylfa-Pembroke HVDC link

For the purposes of Special Condition D11 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

1. Cost allowances

project costs (£ million) 2009/10 prices	2009/10	2010/11	2011/12	2012/13
Pre-construction cost allowance	0.000	0.000	0.476	0.476

2. Key project milestones

Description of project milestones	Delivered by 1 April 2010	Delivered by 1 April 2011	Delivered by 1 April 2012	Delivered by 1 April 2013
For funded pre-construction works			<p>Wylfa-Pembroke HVDC link – provide evidence to show that:</p> <p>Preliminary pre-construction works including single line diagrams, high level programmes, on-shore layout diagrams and potential off-shore routes</p>	<p>Wylfa-Pembroke HVDC link – provide evidence to show that:</p> <p>Pre-construction work has progressed in line with programme.</p>

			are available. Project risk register, installation considerations, consultation strategy and environmental impact assessment strategy have been developed.	
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SCHEDULE 2

Table of the reasons and the effect of the differences between the Conditions in Schedule 1 and the proposed modifications set out in the Notice

Ref	Condition and paragraph	Licence term	Difference and Reason	Effect
1	SC D2 para 2	RBT	Full stop added before "This" and consistent font size applied throughout.	Improved clarity of interpretation.
2	SC D2 para 2	TOInc _t	Semi-colon added at end of definition to give clear separation from subsequent definition.	Improved clarity of interpretation.
3	SC D2 para 4	N/A	Formatting of sub-paragraph (i) amended for consistency with surrounding sub-paragraphs.	Improved clarity of interpretation.
3	SC D11 para 1C(a)	RPIF _t	Words added to clarify that the term "shall take the same meaning as [is] given [to that term] in the definition of the PR _t term in paragraph 2 of Special Condition D2 (Restriction on Transmission Network Revenue)".	Improved clarity of interpretation.