

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

**MODIFICATION OF SPECIAL CONDITION J2 OF SCOTTISH HYDRO ELECTRIC
TRANSMISSION LTD'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. Scottish Hydro Electric Transmission Ltd ("SHETL") (company number SC213461) ("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 Authority¹ ("the Authority") gave notice on 13 June 2012 ("the Notice")² that it proposed to make modifications to Special Condition J2 (Restriction on transmission charges: revenue from transmission owner services), in the manner set out in Schedule 1 to this Notice.
3. In accordance with section 11A(2) of the Act, the Notice set out the proposed modification and its effect, namely to amend SHETL's base transmission revenue in 2012-13. This is represented by the revenue base value (RBT) in the formula provided in paragraph 3 of Special Condition J2.
4. The reasons why we proposed to make the modification were set out in the Notice letter³ ("the Notice Letter") which accompanied and was published alongside the Notice. We specified 23 July 2012 as the date by which representations with respect to the proposed modification could be made.
5. In accordance with section 11A(4)(b) of the Act, the Authority gave notice of the proposed modification 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.
6. Prior to the close of the consultation period in respect of the Notice, the Authority received one response, from Scottish Power Transmission Limited (SPTL). The respondent expressed concerns that SHETL should not be subject to a downward adjustment of the RBT as the delay was caused by a third party and repairs were completed at no cost to SHETL.
7. We have carefully considered the response to the Consultation Letter. The TIRG mechanism is based on the timely delivery of the projects and we will take actions where appropriate to ensure that consumers are protected from late delivery of

¹ Ofgem is the office of the Authority. The terms "Ofgem", "we" and "the Authority" are used interchangeably in this document.

² "Notice Under section 11A(2) of the Electricity Act 1989 of proposed modification to the Electricity Transmission Licence of Scottish Hydro Electric Limited (SHETL)", 13 June 2012:
<http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/TIRG/Documents1/Sloy%20Modification%20Notice%2011-06-2012.pdf>

³ "Transmission Investment for Renewable Generation: Notice under section 11A(2) of the Electricity Act 1989 of a proposed modification to the electricity transmission licence of Scottish Hydro Electric Transmission Limited", 13 June 2012:
<http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/TIRG/Documents1/Sloy%20Stat-Con%2013-06-2012.pdf>

outputs. In this case, we consider that delay caused by one of SHETL's suppliers is a risk for the licensee to manage and that a revenue adjustment to reflect this is warranted. This will ensure that SHETL will not benefit from post construction revenues until after construction was completed.

8. We have therefore decided to make the proposed modification 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 amended text of Condition J2 that will take effect 56 calendar days after this Modification is published.
9. In accordance with section 49A(1)(b) of the Act, the reasons for making the licence modification are that we wish to reduce the value of RBT by £2,386,000 (2009-10 prices) to recover post construction revenues related to project Sloy collected by SHETL during 2010-11 and 2011-12 when the project had not yet been completed⁴.
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, London SW1P 3GE (020 7901 7003 or library@ofgem.gov.uk) or from the Ofgem website.⁵ The responses received are also available from the Ofgem Research and Information Centre or on the Ofgem website.

Now therefore:

In accordance with the powers contained in section 11A(1)(a) of the Act, the Authority hereby modifies Special Condition J2, in the manner set out in Schedule 1 of this Modification with effect on and from **28 September 2012**.

This document constitutes Notice of the reasons for the decision to modify the licence as required by 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

3 August 2012



⁴ Additional information on the reasons for the proposed modification can be found in the document "Transmission Investment for Renewable Generation Determination and Notice: opening asset value and adjustment to the revenue allowance for Sloy" published by the Authority on 31 January 2012: <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/TIRG/Documents1/TIRG%20Sloy%20Determination.pdf>

⁵ Available at the following link: <http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/TIRG/Pages/TIRG.aspx>

SCHEDULE 1

MODIFICATION UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 OF THE ELECTRICITY TRANSMISSION LICENCE OF SHETL IN RESPECT OF SPECIAL CONDITION J2

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

RBT shall take the value £83,214,000 (being in 2009/10 prices).