

To:

1. Company Secretary
TC Robin Rigg OFTO Limited
Two London Bridge
London
United Kingdom
SE1 9RA
2. Company Secretary
TC Gunfleet Sands OFTO Limited
Two London Bridge
London
United Kingdom
SE1 9RA
3. Company Secretary
TC Barrow OFTO Limited
Two London Bridge
London
United Kingdom
SE1 9RA
4. Company Secretary
TC Ormonde OFTO Limited
Two London Bridge
London
United Kingdom
SE1 9RA
5. Company Secretary
Blue Transmission Walney 1 Limited
c/o Dundas and Wilson
Northwest Wing Bush House
Aldwych
London
United Kingdom
WC2B 4EZ
6. Company Secretary
Blue Transmission Walney 2 Limited
The American Barns
Banbury Road
Lighthorne
Warwick
Warwickshire
United Kingdom
CV35 0AE
7. All other interested parties

**Electricity Act 1989
Section 11A(1)(a)**

**MODIFICATION OF THE LICENCES FOR:
TC ROBIN RIGG OFTO LIMITED, TC GUNFLEET SANDS OFTO LIMITED, TC BARROW
OFTO LIMITED, TC ORMONDE OFTO LIMITED, BLUE TRANSMISSION WALNEY 1
LIMITED AND BLUE TRANSMISSION WALNEY 2 LIMITED
WHO EACH HOLD A ELECTRICITY TRANSMISSION LICENCE GRANTED UNDER
SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989**

1. Whereas –

- a) TC Robin Rigg OFTO Limited
- b) TC Gunfleet Sands OFTO Limited
- c) TC Barrow OFTO Limited
- d) TC Ormonde OFTO Limited
- e) Blue Transmission Walney 1 Limited
- f) Blue Transmission Walney 2 Limited

("the Licence Holders") are each the holders of an electricity transmission licence ("the Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ("the Act") to transmit electricity subject to the conditions contained in the Licence.

- 2. In accordance with section 11A(2) of the Act the Gas and Electricity Markets Authority ("the Authority") gave notice on 21 December 2012 ("the Notice") that it proposed to make modifications to add amended standard condition E12-J11 (The Network Innovation Competition) to the Licence and requiring any representations to the modification to be made on or before 22 January 2013.
- 3. In accordance with section 11A(4)(b) of the Act, the Authority gave such notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modification.
- 4. Prior to the close of the consultation period in respect of the Notice, the Authority received two responses. Both responses have been placed on the Ofgem website.
- 5. The Authority has considered all representations received in relation to the proposed modification. The Authority has made no changes to the modifications set out in the Notice.
- 6. The effect of the modification(s) will be to establish arrangements known as the Network Innovation Competition ("NIC") which will enable the licensees to compete for funding for eligible NIC projects if they so wish. This includes:
 - a) establishing the NIC Funding Mechanism and the Funding Return Mechanism which outline the circumstances under which the licensee will receive funding from the System Operator and the circumstances under which the licensee must return money to the System Operator;
 - b) establishing that the regulation, governance and administration of the NIC will be detailed in the NIC Governance Document;
 - c) establishing that the licensee must comply with the NIC Governance Document as if it formed a part of the licence;
 - d) establishing the procedure for issuing the NIC Governance Document.
- 7. In accordance with section 49A of the Act, the reason for making the licence modifications is that the addition of amended standard condition E12-J11 (The

Network Innovation Competition) will allow network licensees to submit bids to compete for funding for innovative projects which could deliver low carbon and environmental benefits for consumers. The Network Innovation Competition is to be implemented under the RIIIO-T1 regime and we consider that Offshore Transmission Owners ("OFTOs") should be able to participate in the competition if they so choose. Further detail on the reasoning behind this modification is set out in the following publication –

[Licence modifications through the RIIIO-T1 price control – Potential impacts on Offshore Transmission Owners \(OFTOs\) \(Reference Number: 147/12\)](#)

8. Where an application for permission to appeal the Authority's modification is made to the Competition Commission under section 11C of the Act, Rule 5.7 of the Competition Commission's Energy Licence Modification Appeals Rules requires that appellant to send notice setting out the matters required in Rule 5.2. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification direction. The meaning of 'relevant licence holder' is set out in section 11A of the Act.

Now therefore

In accordance with the powers contained in section 11A(1)(a) of the Act, the Authority hereby modifies the licences of:

- a) TC Robin Rigg OFTO Limited
- b) TC Gunfleet Sands OFTO Limited
- c) TC Barrow OFTO Limited
- d) TC Ormonde OFTO Limited
- e) Blue Transmission Walney 1 Limited
- f) Blue Transmission Walney 2 Limited

in the manner specified in attached Schedule 1. This decision will take effect on and from 1 April 2013.

This document constitutes notice of the reasons for the decision to modify electricity transmission licences as required by section 49A of the Act.

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

MIN ZHU

.....
Min Zhu
Associate Director, Offshore Transmission

**Duly authorised on behalf of the
Gas and Electricity Markets Authority**



1 February 2013

Amended Standard Condition E12-J11: The Network Innovation Competition

Introduction

1. The purpose of this condition is to establish arrangements known as the Network Innovation Competition (NIC) with respect to the funding of innovative low carbon or environmental projects carried out by the licensee.
2. This condition also makes provision for arrangements relating to the regulation, administration, and governance of the NIC.

Part A: Function of the Network Innovation Competition (NIC)

3. The function of the NIC is to enable the licensee to fund Eligible NIC Projects by means of payments received from the System Operator in accordance with the determination process described in Part B below as varied, where appropriate, by the Funding Return Mechanism described in Part C below.

Part B: The NIC Funding Mechanism

4. The NIC Funding Mechanism is the mechanism by which the licensee receives the amount of authorised NIC Funding in any Relevant Year from the System Operator, less any Funding Return as described in Part C and in accordance with the NIC Governance Document.

Part C: The Funding Return Mechanism

5. The Funding Return Mechanism relates to payments to be made by the licensee to the System Operator, in each of the following cases to such extent (if any) as may be relevant, of:
 - (a) Halted Project Revenues;
 - (b) Disallowed Expenditure; and
 - (c) Returned Royalty Income.
6. The Funding Return is the total amount, in respect of the licensee, of any amounts arising under paragraph 5.
7. Halted Project Revenues are any revenues received by the licensee from the System Operator under the NIC Funding Mechanism in respect of an Eligible NIC Project which have not yet been spent, or otherwise committed, at the time that the Authority requires that project to be halted in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
8. Disallowed Expenditure is any revenue received by the licensee from the System Operator under the NIC Funding Mechanism that the Authority determines has not been spent in accordance with the applicable provisions of the NIC Governance Document or the terms of the relevant Project Direction.
9. Returned Royalty Income is revenue earned from intellectual property generated through Eligible NIC Projects undertaken by the licensee, less Directly Attributable

Costs, and that is payable to customers under the NIC Funding Mechanism, as calculated in accordance with the provisions of the NIC Governance Document.

10. For the purposes of paragraph 9, Directly Attributable Costs are costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects undertaken by the licensee that have not been otherwise remunerated under any of the arrangements by which the licensee recovers its allowed transmission owner revenue (OFTO_t) from the System Operator, Excluded Services as defined in amended standard condition E12-J10 (Excluded Services), or the NIC Funding Mechanism.
11. In each Relevant Year *t*, in accordance with the appropriate provisions of the NIC Governance Document, the Authority will calculate and then, by direction given to the licensee, will specify:
 - (a) the amount of any Funding Return that the licensee must pay to the System Operator; and
 - (b) the manner in which and the timescale over which that amount is to be so paid.
12. The licensee must comply with any direction that is issued by the Authority under paragraph 11.

Part D: Determination of the NIC term

13. The NIC term is the net amount of NIC Funding less any Funding Return for the Relevant Year *t* that is to be paid to the licensee by the System Operator, or vice versa, in compliance with the determination made for that purpose in a direction issued by the Authority pursuant to the provisions of Part D of Special Condition 3I (The Network Innovation Competition) in the Transmission Licence held by the System Operator.
14. The NIC Funding to which paragraph 4 refers is the proportion (if any) of total NIC Funding raised by the System Operator from its Transmission Network Charges in accordance with the NIC Funding Mechanism that the Authority determines is to be allocated to the licensee in respect of its Eligible NIC Projects, as adjusted by the amount of any Funding Return (as to which, see Part C above).
15. In each Relevant Year *t*, as provided for by the NIC Governance Document and in accordance with the appropriate provisions of the System Operator's Transmission Licence the Authority will calculate and then, by direction given to the licensee and other electricity Transmission Licensees, will specify, in accordance with the appropriate provisions set out in the NIC Governance Document:
 - (a) the net amount of the NIC term (whether negative or positive);
 - (b) how the amount of that term has been calculated, taking account of any Funding Return; and
 - (c) the manner in which and the timescale over which the System Operator is required to transfer that amount to the licensee or vice versa.

Part E: The NIC Governance Document

16. The Authority will issue, and may from time to time revise, a document, to be known as the NIC Governance Document, for purposes connected with the regulation, governance, and administration of the NIC.
17. The NIC Governance Document may, without limitation, make appropriate provision about or impose requirements in respect of:

- (a) the eligibility criteria to be applied by, and information to be provided to, the Authority in relation to the assessment and approval of proposed NIC Projects;
 - (b) the evaluation criteria against which the funding of such projects will be assessed and approved (where necessary);
 - (c) the process and procedures that will be in place for the assessment, approval, and financing of such projects' funding (where necessary);
 - (d) arrangements to ensure that relevant learning from the implementation of Eligible NIC Projects can be captured and disseminated by the licensee to other electricity Transmission Licensees;
 - (e) the nature of the reporting obligations in respect of such projects (which may include reporting in respect of the funding and the completion of such projects, as well as reporting on compliance with this condition and the provisions of the NIC Governance Document);
 - (f) arrangements relating to the treatment of intellectual property rights including Returned Royalty Income in respect of Eligible NIC Projects; and
 - (g) any other matters relating to the regulation, governance, or administration of the NIC.
18. Where provisions of the NIC Governance Document require the compliance of the Licensee, the Licensee must comply with those provisions as if the NIC Governance Document were part of this condition.

Part F: Procedure for issuing and revising the NIC Governance Document

19. Before issuing the NIC Governance Document under this condition, the Authority, by Notice given to the licensee and other electricity Transmission Licensees with a condition of similar effect to this condition in their license, must:
- (a) state that it proposes to issue the NIC Governance Document, and specify the date on which it proposes that the document should take effect;
 - (b) set out the text of the NIC Governance Document and the Authority's reasons for proposing to issue it; and
 - (c) specify the date (which must not be less than a period of 28 days from the date of the notice) within which representations with respect to the proposed NIC Governance Document may be made.
20. The Authority will consider any representations that are duly made.
21. The requirements of paragraphs 19 and 20 may be satisfied by action taken before, as well as by action taken after, the commencement of this condition.
22. In paragraph 19, "issuing the NIC Governance Document" includes issuing any revision of the document, and the procedure provided for under that paragraph will apply to any such revision.

Part G: Interpretation

23. For the purposes of this condition:

Disallowed Expenditure	has the meaning given to that term in paragraph 8 of this condition.
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Directly Attributable Costs	has the meaning given to that term in paragraph 10 of this condition.
Eligible NIC Project	means a project undertaken by the licensee or any other transmission licensee that appears to the Authority to satisfy such requirements of the NIC Governance Document as are necessary to enable the project to be funded under the NIC Funding Mechanism.
Funding Return	has the meaning given to that term in paragraph 6 of this condition.
Funding Return Mechanism	has the meaning given to that term in paragraph 5 of this condition.
Halted Project Revenues	has the meaning given to that term in paragraph 7 of this condition.
NIC Funding	has the meaning given to that term in paragraph 14 of this condition.
NIC Funding Mechanism	Refers to the arrangements (pursuant to amended standard condition E12-J11 of its transmission licence) for the recovery by the System Operator through its Transmission Network Charges of the amount of total authorised NIC Funding in any Relevant Year and the apportionment of that amount between the System Operator, the licensee, and other Transmission Licensees.
Returned Royalty Income	has the meaning given to that term in paragraph 9 of this condition.
NIC Governance Document	means the document issued by the Authority under Part E of this condition, subject to the requirements of Part F, relating generally to the NIC and including matters relating to the operation of the NIC Funding Mechanism.
Project Direction	means a direction issued by the Authority pursuant to the NIC Governance Document setting out the terms to be followed in relation to an Eligible NIC Project as a condition of its funding under the NIC Funding Mechanism.
Transmission Network Charges	means charges levied by the System Operator in respect of the provision of Transmission Network Services.

24. Expressions defined in paragraph 23 above are to be read and given effect subject to any further explanation or elaboration that might be set out in the NIC Governance Document in relation to such expressions.

Relevant Licence Holders

1. TC Robin Rigg OFTO Limited
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6. Blue Transmission Walney 2 Limited
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