

To: Scottish Hydro Electric Transmission plc
SP Transmission Limited

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

**MODIFICATION OF THE LICENCE OF SCOTTISH HYDRO ELECTRIC TRANSMISSION
PLC WHICH HOLDS AN ELECTRICITY TRANSMISSION LICENCE GRANTED OR
TREATED AS GRANTED UNDER SECTION 6(1)(b) OF THE ELECTRICITY ACT 1989**

Whereas –

1. Scottish Hydro Electric Transmission plc (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 18 December 2013 (the Notice) that it proposed to modify the conditions of the Licence listed below and required any representations to the modifications to be made on or before 27 January 2014:
 - (a) Special Condition 1B: Transmission Area, and
 - (b) Special Condition 6I: Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure.
3. In accordance with section 11A(4)(b) of the Act, the Authority gave notice of its intention to make the modifications to the Secretary of State and has not received a direction not to make the modifications.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received two responses. These responses have been placed on Ofgem's website¹.
5. The Authority has carefully considered all representations received in relation to the proposed modifications. Further detail of the responses received and the Authority's consideration of the responses can be found in the accompanying decision letter.
6. The Authority gives the following reasons for making the licence modifications:
 - (a) to insert the Strategic Wider Works (SWW) Outputs and Allowed Expenditure for the Kintyre Hunterston project into the Licence as set out in the Authority's decision dated 15 November 2013; and
 - (b) to provide a clearly defined, onshore demarcation point on the Kintyre Hunterston line between the Transmission Areas of the Licence Holder and SP Transmission Limited.
7. The effect of the modifications will be to:
 - (a) increase the Allowed Expenditure in the Licence for the Kintyre Hunterston project by £174.090 million (in 09/10 prices). The Licence Holder will be required to deliver SWW Outputs of 270 MW additional transmission capacity across the B3B transmission boundary in the South West of Scotland in the final quarter of 2015/16; and
 - (b) to extend the Transmission Area specified in special condition 1B of the Licence to include the Kintyre Hunterston line up to and including the transition joint

¹ <https://www.ofgem.gov.uk/electricity/transmission-networks/critical-investments/strategic-wider-works/kintyre-hunterston>

lying within the West Kilbride Golf Course to the north of the landing point at Ardsneil Bay in Ayrshire. This area is currently included in SP Transmission's Transmission Area.

8. The Authority considers it necessary to make minor alterations to the modifications set out in the Notice. These alterations are shown in black bold underlined text in the attached Schedules 1, 2 and 3. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1, 2 and 3 are as follows:

- Correction of a minor rounding error. This corrects the proposed Annual Expenditure profile for the Kintyre Hunterston project for 2019/20 and 2020/21 in Special Condition 6I so that the sum of the annual expenditure equals the total Allowed Expenditure. The Allowed Expenditure has not changed and therefore these changes do not alter the effect of the licence modification. The changes are shown in black bold underlined text on the attached Schedule 1 to this modification decision.
- Correction of a small drafting error in Special Condition 6I. The word B3 is replaced with the word B3B. The change is shown in black bold underline text on the attached Schedule 1 to this modification decision.
- Correction of a small drafting error in Special Condition 1B so that the word "transmission" in the third line of the second paragraph in Schedule 2 is replaced with the word "transition". The change is shown in black bold underlined text on the attached Schedule 2 to this modification decision. This does not change the effect of the licence modification.
- Removal of reference to a repealed Order (The Electricity Act 1989 (North of Scotland Specified Area) Order 1990) with The Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005. The change is shown in black bold underlined text on the attached Schedule 2 to this modification decision. This does not change the effect of the licence modification. The same modification will be made to SP Transmission's electricity transmission licence. This is shown in black bold underlined text on the attached Schedule 3 to this modification decision.

9. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2.

10. The relevant licence holders in relation to this modification decision are Scottish Hydro Electric Transmission plc and SP Transmission Ltd. The meaning of 'relevant licence holder' is set out in section 11A(10) of the Act.

Now therefore

In accordance with the powers contained in section 11A(1)(a) of the Act, the Authority hereby modifies the licence of Scottish Hydro Electric Transmission plc and SP Transmission Ltd in the manner specified in the accompanying Schedules 1, 2 and 3. This decision will take effect on and from 16 September 2014.

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the Competition and Markets Authority (CMA)

This document constitutes notice of the reasons for the decision to modify the electricity transmission licence 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**



**.....KERSTI BERGE.....
Kersti Berge (Partner, Electricity Transmission),
duly authorised on behalf of the
Gas and Electricity Markets Authority**

21 July 2014

Schedule 1 – Modification of special condition 6I of Scottish Hydro Electric Transmission plc’s electricity transmission licence

Special Condition 6I: Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure

Table 2: Strategic Wider Works Outputs

Description of output	Scheduled Delivery date	Annual expenditure profile £m (2009/10 prices)								
		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Boundary (sub boundary): B3B3B	Q4 2015/16	18.810	48.175	91.058	14.936	0.278	0.278	0.277 <u>0.278</u>	0.277	174.090
Transfer capability before output: 150 MW										
Output to be delivered: 270 MW additional thermal/voltage/stability capability										
Transfer capability after output: 420MW										
Total annual Allowed Expenditure £m (2009/10 prices)		18.810	48.175	91.058	14.936	0.278	0.278	0.278	0.278 <u>0.277</u>	174.090

Schedule 2 - Modification of special condition 1B of Scottish Hydro Electric Transmission plc's electricity transmission licence

Special Condition 1B: Transmission Area

The area specified in the ~~Electricity Act 1989 (North of Scotland Specified Area) Order 1990 made on 7 March 1990~~ **Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005** and the Kintyre-Hunterston Transmission Line up to and including the transition joint lying within the West Kilbride Golf Course to the north of the landing point at Ardneil Bay, but excluding the Cruachan Transmission Line.

In this condition, "the "Kintyre-Hunterston Transmission Line" means both the onshore and subsea 240MVA AC transmission line extending from the Crossaig substation, through the Sound of Bute and up to and including the ~~transmission~~ **transition** joint lying within the West Kilbride Golf Course to the north of the landing in Ardneil Bay, North Ayrshire, together with all associated cables, transformers, switch gear and connections and all other plant and equipment making up or supporting said transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves and/or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme.

In this condition "the Cruachan Transmission Line" means the double circuit 275kV transmission line extending from the Cruachan Station Works, to the Dalmally Switching Station and thereafter to the Windyhill Substation together with all lattice towers, conductors, insulators, associated cables and connections, and all other items of plant or equipment making up or supporting said transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves and/or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme.

Schedule 3 - Modification of special condition 1B of SP Transmission Ltd's electricity transmission licence

Special Condition 1B. Transmission area

1. The transmission area comprises:

- (a) Scotland (except the area specified in the ~~Electricity Act 1989 (North of Scotland Specified Area) Order 1990 made on 7 March 1990~~ **Electricity Act 1989 (Uniform Prices in the North of Scotland) Order 2005 made on 1 April 2005**, the Cruachan Transmission Line and the Dalmally Switching Station.

In this condition, the "Cruachan Transmission Line" means the double circuit 275kV transmission line extending from the Cruachan Station Works, to the Dalmally Switching Station and thereafter to the Windyhill Substation together with all lattice towers, conductors, insulators, associated cables and connections, and all other items of plant or equipment making up or supporting said transmission line, with the benefit, subject to the applicable conditions therein, of all wayleaves and/or servitude rights relating thereto and where any expressions used in this definition are defined in a transfer scheme, the expressions shall have the same meaning as in such transfer scheme; and

- (b) the subsea corridor within the territorial sea adjacent to Great Britain or within any Renewable Energy Zone that the part of the Western HVDC Link (as defined in paragraph 2 below) owned by the licensee passes through.

2. For the purpose of this condition:

<p>"the Western HVDC Link"</p>	<p>(i) means the high voltage electric lines and electrical plant which comprise the following components:</p> <ul style="list-style-type: none"> (a) a High Voltage Direct Current (HVDC) cable, the sole purpose of which is to transmit electricity between the transmission area of National Grid Electricity Transmission Plc (NGET) and that part of the licensee's transmission area specified in paragraph 1(a) above via an onshore and subsea corridor the route of which extends, in part, outwith Great Britain, the territorial sea adjacent to Great Britain and any Renewable Energy
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	<p>Zone;</p> <p>(b) convertor stations at either end of the HVDC cable described in (a) above to facilitate the conversion of power from Direct Current (DC) in the HVDC cable to Alternating Current (AC) in the national electricity transmission system; and</p> <p>(c) cables to connect each converter station described in (b) above to an appropriate substation in each of the licensee's transmission area and NGET's transmission area respectively.</p> <p>(ii) does not transmit electricity for the purposes of offshore transmission as defined in the Electricity Act 1989 as a whole (as amended from time to time).</p>
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