

**To:**

Scottish Hydro Electric Transmission plc  
Company Number SC213461  
Inveralmond House  
200 Dunkeld Road  
Perth  
Perthshire  
PH1 3AQ  
Great Britain

**NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989**

The Gas and Electricity Markets Authority (the Authority) hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 (the Act) as follows:

1. The Authority proposes to modify the electricity transmission licence held by Scottish Hydro Electric Transmission plc (SHE Transmission) granted or treated as granted under section 6(1)(b) of the Act by correcting the calculation of the annual incentive revenue allowance for projects undertaken under the Transmission Investment for Renewable Generation (TIRG) mechanism in paragraph 3J.7 of Special Condition 3J (Transmission Investment for Renewable Generation).
2. The reason why the Authority proposes to make this licence modification is to correct an error in the formula in paragraph 3J.7, that was inadvertently introduced by modifications made for RIIO-T1.<sup>1</sup> The formula determines the term  $ETIRG_t^i$ .  $ETIRG_t^i$  is the annual incentive revenue allowance for each TIRG project and is calculated for each of the five years following the end of construction. If the errors are not corrected, in years where SHE Transmission has TIRG projects that are within the incentive revenue period, the annual allowed revenue for SHE Transmission could be calculated incorrectly.
3. The effect of the proposed modification is to ensure that the correct post-construction allowance is provided for each TIRG project undertaken by SHE Transmission, in line with the policy aims of the TIRG mechanism. Specifically, we propose that the  $ETIRGC_t^i$  term in the formula should be multiplied by the  $SAFRTIRG^i$  term rather than be added to it.
4. A copy of the proposed modification has been published alongside this Notice (in Appendix A to this notice) and is available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
5. Any representations with respect to the proposed licence modification must be made on or before 21 November 2014 to: Thomas Johns, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [Thomas.Johns@ofgem.gov.uk](mailto:Thomas.Johns@ofgem.gov.uk)
6. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

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<sup>1</sup> RIIO-T1 refers to both the Transmission Price control period that covers the period 2013-2021 and the work that went into setting the associated regulatory arrangements, including the modifications to associated licence conditions. Further detail on the RIIO-T1 price control can be found here: <https://www.ofgem.gov.uk/network-regulation---riio-model/riio-t1-price-control>

7. If the Authority decides to make the proposed modification it will take effect not less than 56 days after the decision is published.

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**Kersti Berge**  
**Partner, Electricity Transmission**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**24 October 2014**

**Appendix A: Proposed modifications to paragraph 3J.7 in Special Condition 3J of SHET's Transmission Licence**

1. In paragraph 3J.7, in the formula for  $ETIRG_t^i$ , for the term " $ETIRGC_t^i +$ " **substitute** " $ETIRGC_t^i \times$ ".