

To:

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

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

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

Whereas –

1. Scottish Hydro Electric Transmission plc (SHE Transmission) (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 24 October 2014 (the Notice) that it proposed to modify paragraph 3J.7 of Special Condition 3J (Transmission Investment for Renewable Generation) of the Licence and by requiring any representations to the modification to be made on or before 21 November 2014.
3. In accordance with section 11A(4)(b) of the Act, the Authority gave notice of its intention to make the modification 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 1 response. The response is non-confidential and has been placed on the Ofgem website.
5. The Authority has carefully considered in relation to the proposed modification all representations received.
6. The reason why the Authority is making this licence modification is to correct an error in the formula in paragraph 3J.7, that was inadvertently introduced by modifications made for RIIO-T1.¹ 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 error is 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.
7. The effect of the modification will be 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, the $ETIRGC_t^i$ term in the formula should be multiplied by the $SAFRTIRG_t^i$ term rather than be added to it.

¹ 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>

8. Where an application for permission to appeal the Authority's decision is made to the Competition and Markets Authority 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. The attached Schedule 2 provides a list of the relevant licence holders in relation to this modification notice. 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 in the manner specified in attached Schedule 1. This decision will take effect on and from 29 January 2015.

This document constitutes notice of the reasons for the decision to modify the electricity transmission licence held by Scottish Hydro Electric Transmission plc 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**



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

3 December 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).

Schedule 1: Licence Drafting

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

Schedule 2: Relevant Licence Holders³

Scottish Hydro Electric Transmission plc

³ Electricity licence holders are listed at: <https://www.ofgem.gov.uk/publications-and-updates/all-electricity-licensees-registered-addresses>