

**To: National Grid Electricity Transmission plc**

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

**MODIFICATION OF THE LICENCE OF NATIONAL GRID ELECTRICITY  
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. National Grid Electricity 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 26 February 2015 (the Notice) that it proposed to modify the Licence and required any representations about the modifications to be made on or before 26 March 2015.
3. The modifications relate to the following matters:
  - a. the clarification of certain parts of the Licence that were modified as part of the RIIO-ET1 price control which came into effect on 1 April 2013 (Schedule 1), and
  - b. the update of certain parts of the Licence for changes in the Connection and Use of System Code (CUSC) arrangements that came into effect on 1 April 2013 (Schedule 2).
4. 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.
5. Prior to the close of the consultation period in respect of the Notice, the Authority received one response. This response has been placed on Ofgem's website.
6. The Authority has carefully considered the representation and made a minor alteration to one of the proposed modifications as a result.
7. The reason why the Authority is making the licence modifications in Schedule 1 is to clarify certain parts of the Licence that were implemented as part of the RIIO-ET1 price control which came into effect on 1 April 2013. These modifications reflect the policy intent of the Authority's decision regarding the RIIO-ET1 price control more accurately, together with a number of changes which correct typographical inaccuracies (or similar changes).
8. The effect of the modification in Schedule 1 is to provide more accurate and comprehensible licence conditions that better reflect the Authority's decision in the RIIO-ET1 price control.
9. The reason why the Authority is making the licence modifications in Schedule 2 is to update certain parts of the Licence for changes in the CUSC arrangements that were implemented after CUSC Modification Proposal 192 was approved by the Authority. The changes are needed so that the licence better reflects the Authority's decision on the CUSC arrangements.

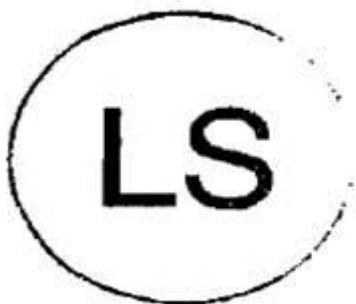
10. The effect of the modifications in Schedule 2 is to ensure that all revenues are being apportioned correctly, and the transmission companies can recover their allowed revenue net of any user commitment contributions.
11. Schedules 1 and 2 to this decision notice set out the modifications. The Authority has made a minor alteration to one modification. The alteration is shown in blue double underlined text in the second modification of Schedule 2. The reason for this change is to include a reference to offshore transmission owners in the adjustment term so that revenue is not over-recovered. This is consistent with other references in the Licence.
12. 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 Rules<sup>1</sup> 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.
13. The relevant licence holder in relation to this modification decision is National Grid Electricity Transmission plc.

**Now therefore**

In accordance with the powers contained in section 11A(1)(a) of the Act, the Authority hereby modifies the licence of National Grid Electricity Transmission plc in the manner specified in the accompanying Schedules 1 and 2. This decision will take effect on and from 1 July 2015.

This document constitutes notice of the reason 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 (Partner, Electricity Transmission),  
duly authorised on behalf of the  
Gas and Electricity Markets Authority**

**7 May 2015**

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<sup>1</sup> 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).

The modifications in Schedule 1 relate to typos and further clarification to certain parts of the Licence that were modified as part of the electricity RIIO-T1 price control which came into effect on 1 April 2013.

### Schedule 1

No.	Paragraph Reference	Amendments
1.	1A	<p>In the definition of "Pre-construction Engineering (PE)" – the word "<b>prospective</b>" will be inserted in between "(Pre-construction Engineering outputs for" and "Strategic Wider Works Outputs)"</p> <p>Rationale: To amend the title of the Special Condition that is referred to in the definition.</p>
2.	1A	<p>The first paragraph in the definition of "Relevant Generation Capacity" will be amended as follows:</p> <p>"for the purposes of Special Condition 6F (Baseline Generation Connections Outputs and Generation Connections volume driver) is calculated as the sum of <b>the maximum of all individual generation entry capacities in any year during the period from 1 April 2013 up to and including Relevant Year t-2 minus the sum of the maximum of all individual generation entry capacities in any year during the period from 1 April 2012 up to and including Relevant Year t-3</b> <del>all</del> generation capacity in Relevant Year t-2 minus the sum of all generation capacity in Relevant Year t-3."</p> <p>Rationale: This is needed to ensure that the value of the licence term <math>AGCO_{t-2}</math> in the formula in paragraph 6F.9 is not unduly affected by individual generators that reduce entry capacity rights within the RIIO-T1 period.</p>
3.	1A	<p>The second paragraph in the definition of "Relevant Generation Capacity" will be amended as follows: "<del>For directly connected generation</del><b>For generation connected to the England and Wales transmission system directly</b>, the generation entry capacity shall be the largest holding or (if greater than the holding) use of entry capacity rights (through any combination of access products) held or used by an individual power station for a total period not less than 5 days during the Relevant Year."</p> <p>A new paragraph will be added to the definition after the second paragraph as follows:</p> <p><b>"For generation connected to the England and Wales transmission system by an offshore transmission system (and not via a distribution system or the Scottish transmission system), the generation entry capacity shall be the largest holding or (if greater than the holding) use of entry capacity rights (through any combination of access products) held or used by an individual power station for a total period not less than 5 days during the Relevant Year."</b></p> <p>Rationale: These changes are required to ensure that there is no ambiguity in the scope of the definition in the Generation Connections volume driver in SpC 6F.</p>
4.	1A	<p>In the definition of "TII Year" the words "a Relevant Year" will be replaced with "<b>any financial year</b>".</p>

No.	Paragraph Reference	Amendments
		Rationale: Reference to "financial year" should have been to "Relevant Year". Relevant Year is defined as a year to which this licence applies, whereas TII years are prior to 2013.
5.	2M.1	The term "allowed expenditure" will be replaced with "Allowed Expenditure".  Rationale: It is defined term in Special Condition 1A.
6.	2M.4	The term "allowed expenditure" will be replaced with "Allowed Expenditure".  Rationale: It is defined term in Special Condition 1A.
7.	2M.10 Part D and Table 3 titles	The term "allowed expenditure" will be replaced with "Allowed Expenditure".  Rationale: It is defined term in Special Condition 1A.
8.	3B.4	In the definition of "TOFTO <sub>t</sub> " the words "offshore Transmission Owner" will be replaced with "Offshore Transmission Owner".  Rationale: It is defined term in Special Condition 1A.
9.	3C.4	The term "RI <sub>t</sub> " will be replaced with "RI <sub>t</sub> ".  Rationale: To correct the time subscript on the term.
10.	3C.6	The words "reliability incentive methodology statement" will be replaced with "Reliability Incentive Methodology Statement".  Rationale: It is a defined term in Part B of Special Condition 3C (Reliability Incentive Adjustment in Respect of Energy Not Supplied), paragraph 3C.5.
11.	3D.6	The term "TIRG <sub>t-2</sub> " will be replaced with "TIRG <sub>t-2</sub> ".  Rationale: To correct the time subscript on the term.
12.	3D.11	In the definition of "CSSAF <sub>t-2</sub> " and "SSSAF <sub>t-2</sub> " the words "Max" and "Min" will be replaced with "max" and "min".  Rationale: To be consistent with the formulas.
13.	3E.3	In the definition of "PTIS <sub>t-2</sub> " the words "paragraph 3E.5" will be replaced with "paragraph 3E.6".  Rationale: To reference the correct paragraph.
14.	3E.6	The term "PTIS <sub>t-2</sub> " will be replaced with "PTIS <sub>t-2</sub> ".  Rationale: To correct the time subscript on the term.
15.	3E.17	The words "(and includes but not limited to)" will be replaced with "(and includes but is not limited to)".

No.	Paragraph Reference	Amendments
		Rationale: To insert a missing word.
16.	3F.11	<p>The word "be" will be inserted in between the words "...may" and "modified...".</p> <p>Rationale: To insert a missing word.</p>
17.	3H.12	<p>The words "electricitytransmission" will be replaced with "electricity transmission".</p> <p>Rationale: To insert a missing space between the words.</p>
18.	3I.14	<p>The paragraph will be amended as follows:</p> <p>"For the purposes of paragraph 3I.13 of this condition, Directly Attributable Costs are costs relating to the maintenance and management of intellectual property generated through Eligible NIC Projects (whether undertaken by the licensee or any other Transmission Licencee) that have not been otherwise remunerated through Transmission Network Charges, <u>do not fall within the Statement of General Principle for Excluded Services set out in Part B of Special Condition 8B (Services treated as Excluded Services)</u>, or the NIC Funding Mechanism."</p> <p>Rationale: To clarify the scope of the defined term.</p>
19.	3J.2	<p>In the definition of "IPTIRG<sub>t</sub>" the term "J3.3" will be replaced with "3J.3".</p> <p>Rationale: To reference the correct paragraph number.</p>
20.	3K.3 (a)	<p>The word "or" will be inserted in between "Relevant SO Special Conditions" and "any part or parts thereof;"</p> <p>Rationale: To insert the missing word.</p>
21.	5B.2	<p>The year format "2019-20" and "2020-21" will be changed to "2019/20" and "2020/21".</p> <p>Rationale: To adopt a consistent year format to that used in other parts of licence.</p>
22.	6A.15	<p>The words "starting from 30 November 2013." will be inserted at the end of the paragraph.</p> <p>Rationale: To clarify the intent of the policy in the licence condition.</p>
23.	6A.17	<p>The reference to "64.15" will be replaced with "6A.15".</p> <p>Rationale: To reference the correct paragraph number.</p>
24.	6B.9(a)	<p>The term "CxIncTOt" will be replaced with "CxIncTO<sub>t</sub>".</p> <p>Rationale: To correct the time subscript on the term.</p>

No.	Paragraph Reference	Amendments
25.	6B.19 (a) & (b)	<p>The term "Scheduled Project I" will be replaced with "<b>Scheduled Project i</b>".</p> <p>Rationale: To correct the specified term.</p>
26.	6C.10	<p>The year format "2014-15" will be changed to "<b>2014/15</b>".</p> <p>Rationale: To adopt a consistent year format to that used in other parts of licence.</p>
27.	6D.6, 6D.8 & 6D.16	<p>The year format "2014-15" will be changed to "<b>2014/15</b>".</p> <p>Rationale: To adopt a consistent year format to that used in other parts of licence.</p>
28.	6D.22	<p>The year "<b>2013/14</b>" will be deleted from the end of the paragraph.</p> <p>Rationale: To remove a repetition.</p>
29.	6F.8	<p>In the definition of "BGCE<sub>n</sub>" the words "Relevant Year t" will be replaced with "<b>Relevant Year n</b>".</p> <p>Rationale: To reference the correct term.</p>
30.	6F.8	<p>In the definition of "TPG<sub>n</sub>" the words "in 2009/10 prices)" will be replaced with "<b>(in 2009/10 prices)</b>".</p> <p>Rationale: To insert the missing open bracket.</p>
31.	6F.8	<p>In the definition of "TPRG<sub>n</sub>" the term "TP<sub>n</sub>" will be replaced with "<b>TPG<sub>n</sub></b>".</p> <p>Rationale. To reference the correct defined term.</p>
32.	6F.9	<p>The first paragraph will be amended as follows:</p> <p>"The value of VGCE<sub>t,n</sub> is to be determined for Relevant Year t = 2015/16 <b>and each subsequent Relevant Year</b> in accordance with the following formula for each Relevant Year n (where n=2014 to 2021 for Relevant Year ending 31 March) where information is available for Relevant Year t-2:"</p> <p>Rationale: The current wording sets out how to calculate the value of VGCE<sub>t,n</sub> in 2015/16 only, but this is incorrect as this is the enduring formula for the remainder of the price control period.</p>
33.	6F.9	<p>In definition of "ASLCBL<sub>x,m,t-2</sub>", the word "route" will be replaced with "<b>circuit</b>".</p> <p>Rationale: To correct the scope and meaning of the term.</p>
34.	6F.9 Table 2	<p>In the column header for "COUCA<sub>m</sub>" the word "route" will be replaced with "<b>circuit</b>".</p> <p>Rationale: To correct the scope and meaning of the term.</p>
35.	6F.9 Table 2	<p>In the "Underground cable type" column, the measurement "2500m<sup>2</sup>" will be replaced with "<b>2500mm<sup>2</sup></b>".</p>

No.	Paragraph Reference	Amendments
		Rationale: To correct the dimension measurement.
36.	6F.10	<p>In definition of "FCBL<sub>x,m,d</sub>", the word "route" will be replaced with "circuit".</p> <p>Rationale: To correct the scope and meaning of the term.</p>
37.	6G.18 (a)(iii)	<p>The open bracket "(" following the words "specifying the time" will be removed and the punctuation at the end of the sub-clause "." will be replaced with "; and".</p> <p>Rationale: Open bracket is unnecessary, and to correct the punctuation.</p>
38.	6G.22 (a)	<p>The second and third sub-clauses to paragraph 6G.22 (a) needs to be re-numbered with "(ii)" an "(iii)" respectively.</p> <p>Rationale: To correct the numbering of the sub-clauses.</p>
39.	6G.24	<p>The open bracket "(" following the words "Special Condition 5B" will be deleted.</p> <p>Rationale: Open bracket is unnecessary.</p>
40.	6J.15	<p>The first paragraph will be amended as follows:</p> <p>"The value of VIWW<sub>t,n</sub> is to be determined for Relevant Year t = 2015/16 <u>and each subsequent Relevant Year</u> in accordance with the following formula for each Relevant Year n (where n=2014 to 2021 for Relevant Year ending 31 March) where information is available for Relevant Year t-2:"</p> <p>The close square bracket "]" following the term "WFWW<sub>t-2,n</sub>" in the formula is to be removed.</p> <p>Rationale: The current wording sets out how to calculate the value of VIWW<sub>t,n</sub> in 2015/16 only, but this is incorrect as this is the enduring formula for the remainder of the price control period. The close square bracket in the formula is unnecessary.</p>
41.	6K.9	<p>The first paragraph will be amended as follows:</p> <p>"The value of UCE<sub>t,n</sub> is to be derived for Relevant Year t = 2015/16 <u>and each subsequent Relevant Year</u> from the following formula for each Relevant Year n (where n=2014 to 2021 for Relevant Year ending 31 March):"</p> <p>Rationale: The current wording sets out how to calculate the value of UCE<sub>t,n</sub> in 2015/16 only, but this is incorrect as this is the enduring formula for the remainder of the price control period.</p>
42.	6K.9	<p>In definition of "FUGC<sub>x,m,d</sub>", the word "route" will be replaced with "circuit".</p> <p>Rationale: To correct the scope and meaning of the term.</p>

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43.	6K.9	In definition of "RUGC <sub>x,m,d</sub> ", the word "route" will be replaced "circuit".  Rationale: To correct the scope and meaning of the term.																																																																																									
44.	6K.10 Table 2	In the column header for "CUCA <sub>m</sub> " the word "route" will be replaced with "circuit".  Rationale: To correct the scope and meaning of the term.																																																																																									
45.	6K.10 Table 2	In the "Underground cable type" column, the measurement "2500m <sup>2</sup> " will be replaced with "2500mm <sup>2</sup> ".  Rationale: To correct the dimension measurement.																																																																																									
46.	6K.10 Table 3	Table 3 is to be replaced with the following table:  <table border="1"> <thead> <tr> <th rowspan="2">Delivery year d</th> <th colspan="8">Expenditure year n</th> </tr> <tr> <th>2013/14</th> <th>2014/15</th> <th>2015/16</th> <th>2016/17</th> <th>2017/18</th> <th>2018/19</th> <th>2019/20</th> <th>2020/21</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>0.2</td> <td>0.5</td> <td>0.2</td> <td>0.1</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>2018</td> <td></td> <td>0.2</td> <td>0.5</td> <td>0.2</td> <td>0.1</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td>0.2</td> <td>0.5</td> <td>0.2</td> <td>0.1</td> <td></td> <td></td> </tr> <tr> <td>2020</td> <td></td> <td></td> <td></td> <td>0.2</td> <td>0.5</td> <td>0.2</td> <td>0.1</td> <td></td> </tr> <tr> <td>2021</td> <td></td> <td></td> <td></td> <td></td> <td>0.2</td> <td>0.5</td> <td>0.2</td> <td>0.1</td> </tr> <tr> <td>2022</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.2</td> <td>0.5</td> <td>0.2</td> </tr> <tr> <td>2023</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.2</td> <td>0.5</td> </tr> <tr> <td>2024</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.2</td> </tr> </tbody> </table> Rationale: The existing table does not cover Delivery year 2024 which is included in the formula for UCE <sub>t,n</sub> in paragraph 6K.9. The existing table also omits Expenditure year 2018/19.	Delivery year d	Expenditure year n								2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2017	0.2	0.5	0.2	0.1					2018		0.2	0.5	0.2	0.1				2019			0.2	0.5	0.2	0.1			2020				0.2	0.5	0.2	0.1		2021					0.2	0.5	0.2	0.1	2022						0.2	0.5	0.2	2023							0.2	0.5	2024								0.2
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47.	6K.13	The words "deemed to be" will be inserted in between "The directed UCE values will be" and "set out in the format of Table 5".  Rationale: To be consistent with treatment of directed Variable Values elsewhere in the Licence.																																																																																									
48.	6L.8	In the definition of BDRI <sub>n</sub> the words "Baseline Generation Connections Expenditure" will be replaced with "Baseline Demand Works Expenditure".  Rationale: To correct the scope and meaning of the term.																																																																																									
49.	6L.9	The first paragraph will be amended as follows:  "The value of VDRI <sub>t,n</sub> is to be determined for Relevant Year t = 2015/16 and each subsequent Relevant Year in accordance with the following formula for each Relevant Year n (where n=2014 to 2021 for Relevant Year ending 31 March) where information is available for Relevant Year t-2:"  Rationale: The current wording sets out how to calculate the value of VDRI <sub>t,n</sub> in 2015/16 only, but this is incorrect as this is the enduring formula for the remainder of the price control period.																																																																																									



No.	Paragraph Reference	Amendments
50.	6L.9	<p>In definition of "ADCBL<sub>x,m,t-2</sub>", the word "route" will be replaced with "circuit".</p> <p>Rationale: To correct the scope and meaning of the term.</p>
51.	6L.10	<p>In definition of "FDCBL<sub>x,m,d</sub>", the word "route" will be replaced with "circuit".</p> <p>Rationale: To correct the scope and meaning of the term.</p>
52.	6L.12 Table 3	<p>In the title of the table the words "(reading down columns)" will be deleted.</p> <p>Rationale: These words are unnecessary.</p>

The modifications in Schedule 2 update parts of the Licence for the introduction and implementation of the Connection and Use of System Modification Proposal 192 (CMP192) that was approved by the Ofgem in 2012.

## Schedule 2

No.	Paragraph Reference	Amendments
1.	3A.4	<p>The definition of "TS<sub>t</sub>", sub-paragraph (a), will be amended as follows:</p> <p>"(a) the total amount charged to the licensee in Relevant Year t-1 by Scottish Hydro Electric Transmission Plc, <del>and</del> SP Transmission Ltd <del>and any Offshore Transmission Owner</del> in respect of Transmission Owner Final Sums (as such charges are defined in schedule nine of the STC) minus"</p> <p>Rationale: It is appropriate for the adjustment term TS<sub>t</sub> to also reference offshore transmission owners so that revenue is not under-recovered.</p>
2.	3A.4	<p>The definition of "TS<sub>t</sub>", sub-paragraph (b), will be amended as follows:</p> <p>"(b) an amount equal to the income received by the licensee in Relevant Year t-1 in respect of users who <del>reduce TEC or developer capacity (as defined in the CUSC) or who</del> terminate relevant bilateral agreements for connection and/or access rights to the GB transmission system in the respective Transmission Areas of each of Scottish Hydro Electric Transmission Plc, <del>and</del> SP Transmission Ltd <del>and any Offshore Transmission Owner</del> <del>prior to commencing use of the GB transmission system</del> (for the avoidance of doubt, including any amounts that are treated as capital contributions)."</p> <p>Rationale: This change is necessary to include post-commissioning users in the definition so that it is consistent with the cancellation charging arrangements introduced into the CUSC as a result of CMP192.</p>
3.	3B.4	<p>The definition of "Term<sub>t</sub>" will be amended as follows:</p> <p>"means the adjustment equal to the income received by the licensee in Relevant Year t in respect of users who <del>reduce TEC or developer capacity (as defined in the CUSC) or who</del> terminate relevant bilateral agreements for connection and/or access rights to the National Electricity Transmission System <del>before commencing use of the National Electricity Transmission System</del> (and is net of any amounts that are treated as capital contributions)."</p> <p>Rationale: This change is necessary to update the licence condition so that it is consistent with new cancellation charging arrangements for post-commissioning users introduced into the CUSC as a result of CMP192.</p>
4.	6F.8	<p>The definition of the term "TPG<sub>n</sub>" will be amended as follows:</p> <p>"means the total expenditure efficiently incurred by the licensee (in 2009/10 prices) in respect of Generation Connections where the users <del>reduce TEC or developer capacity (as defined in the CUSC) or</del></p>

No.	Paragraph Reference	Amendments
		<p>terminate the relevant bilateral agreements in year n prior to commencing use of the Generation Connection.”</p> <p>Rationale: This change is necessary to update the licence condition so that it is consistent with new cancellation charging arrangements for post-commissioning users introduced into the CUSC as a result of CMP192.</p>
5.	6F.8	<p>The definition of the term “TPRG<sub>n</sub>” will be amended as follows:</p> <p>“means an amount equal to the <b>actual income from</b> termination receipts received, in the form of revenues or capital contributions, in respect of TP<sub>n</sub> in year n.”</p> <p>Rationale: To clarify that the definition relates to the revenue actually obtained rather than the amount that is invoiced for.</p>