

**To: National Grid Electricity Transmission Plc**

**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 National Grid Electricity Transmission plc (the licensee) granted or treated as granted under section 6(1)(b) of the Act by amending:
  - a. special condition 1A (Definitions and Interpretation);
  - b. special condition 2F (Role in respect of the National Electricity Transmission System Operator area located in offshore waters);
  - c. special condition 2N (Electricity Market Reform);
  - d. inserting proposed special condition 2O (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities);
  - e. deleting special condition 2D (Separation of National Grid Electricity Transmission plc and Relevant Offshore Transmission Interests) and special condition 2E (Appointment and duties of the business separation compliance officer); and
  - f. special condition 6I (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure).
2. In summary, the reason why the Authority proposes to make these licence modifications is to implement our decision to enhance the role of the System Operator (SO) in planning the electricity transmission network and to mitigate any resulting conflicts of interest as part of our Integrated Transmission Planning and Regulation (ITPR) project.
3. In summary, the effect of the proposed modifications is to enhance the role of the SO in planning the electricity transmission network and to mitigate any resulting conflicts of interest.
4. Further detail on the reasons and effect of the proposed modifications can be found in Schedule 1 to this Notice. The proposed modifications are attached in full at Schedule 2 to this Notice.
5. A copy of the proposed modifications and other documents referred to in this Notice have been published alongside this Notice and are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
6. Any representations with respect to the proposed licence modification must be made on or before 4 August 2015 to: Sheona Mackenzie, Office of Gas and Electricity Markets, 107 West Regent Street, Glasgow, G2 2BA or by email to [ITPRMailbox@ofgem.gov.uk](mailto:ITPRMailbox@ofgem.gov.uk)

7. 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. We prefer to receive responses in an electronic form so they can be placed easily on the Ofgem website.
8. If the Authority decides to make the proposed modifications, they will take effect not less than 56 days after the decision is published.

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**Kersti Berge, Partner, Transmission**

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

**6 July 2015**

**Schedule 1: The reasons for and effects of the proposed modifications to NGET's Special Licence Conditions**

<b>Licence condition</b>	<b>Reasons for the proposed modifications</b>	<b>Effect of the proposed modifications</b>
<b>1A: Definitions and Interpretation</b>	To include defined terms used in the modified conditions in the dedicated 'definitions' condition for that section of the licence.	Terms will be defined in the licence
<b>2D: Separation of National Grid Electricity Transmission plc and Relevant Offshore Transmission interests</b>	Proposal to delete Special Condition 2D as these arrangements will be replaced by those set out in the proposed new special condition 2O.	The effect of deleting these conditions will be to make the licence clearer and ensure there are no unintended consequences resulting from any of the other proposed modifications.
<b>2E: Appointment and duties of the business separation compliance officer</b>	Proposal to delete Special Condition 2E as these arrangements will be replaced by those set out in the proposed new special condition 2O.	
<b>2F: Role in respect of the National Electricity Transmission System Operator area located in offshore waters</b>	Proposal to modify Paragraph 2F.26 of Special Condition 2F to ensure consistency across NGET's licence. We are proposing to modify this paragraph to refer to Special Condition 2O rather than Special Condition 2D (which we are proposing to remove). The language is also modified to ensure consistency with the terms used in Special Condition 2O.	This housekeeping change will have no effect other than to ensure the licence is as clear as possible.
<b>2O: Business separation requirements and compliance obligations, and conduct of the System operator in performing its Relevant System Planning Activities</b>	Proposal to introduce new Special Licence Condition 2O to sets out the SO's obligations on how it conducts its enhanced SO activities, the ring-fencing of sensitive information and business separation requirements, and the process the SO will have to follow to make sure it complies with these arrangements. Special Condition 2O will also incorporate the business separation and compliance obligations previously set out in Special Condition 2D and Special Condition 2E.	The effect of the proposed new condition will be to mitigate any conflicts of interest arising from the SO's enhanced role.
<b>2N: Electricity Market Reform</b>	<p>Proposal to modify Paragraph 2N.3 of Special Condition 2N to ensure consistency across NGET's licence. We are proposing to modify the list of conditions referred to in this paragraph so that it includes the new Special Condition 2O.</p> <p>We are also proposing to move defined terms to Special Condition 1A.</p>	The effect of these modifications will be to ensure there are no unintended consequences resulting from any of the other proposed modifications.

<b>6I: Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure</b>	Proposal to modify Paragraph 6I.38b of Special Condition 6I to require the licensee to include any analysis undertaken by the licensee as part of its Relevant System Planning Activities in any Strategic Wider Works (SWW) needs case submissions.	The effect of this modification will be the inclusion of the System Operator (SO) assessment of options in SWW needs case submissions.
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**Schedule 2: Proposed amendments to National Grid Electricity Transmission Plc Electricity transmission licence Special Conditions**

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## **Chapter 1: Definitions**

## Special Condition 1A. Definitions and Interpretation

[Note: The following definitions are to be amended and/or added to this condition, in alphabetical order and in the manner set out below. For clarity, current definitions that are not being amended are not included in this paragraph.]

<u>Associate</u>	<u>means:</u> <ul style="list-style-type: none"><li><u>(a) an Affiliate or Related Undertaking of the licensee;</u></li><li><u>(b) an Ultimate Controller (as defined in standard condition A1 (Definitions and interpretation)) of the licensee;</u></li><li><u>(c) a Participating Owner of the licensee; or</u></li><li><u>(d) a Common Control Company.</u></li></ul>
<u>Common Control Company</u>	<u>means any company, any of whose Ultimate Controllers (applying the definition in standard condition A1 (Definitions and interpretation) but substituting that company for the licensee) is also an Ultimate Controller of the licensee.</u>
<u>Independent Examiner</u>	<u>means a person or persons nominated by, and independent of, the licensee or any business or Associate of the licensee with the skill and knowledge to undertake an evaluation of the practices, procedures and systems implemented by the licensee in order to secure compliance with Special Condition 2N (Electricity Market Reform) and 2O (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities).</u>
<u>Information</u>	<u>for the purposes of Special Condition 2N (Electricity Market Reform) and Special Condition 2O (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities) means all information of whatever nature and in whatever form including, without limitation, in writing, orally, electronically and in a visual or machine-readable medium including CD ROM, magnetic and digital form.</u>

Participating Interest

has the meaning given in section 421A of the Financial Services and Markets Act 2000.

Participating Owner

for the purposes of the definition of “Associate”, a person is subject to a Participating Interest by another person (a “Participating Owner”) if:

- (a) that other person holds a Participating Interest in the person; or
- (b) the person is subject to a Participating Interest by a person who is himself subject to a Participating Interest by that other person.

Relevant Other Competitive Business

means the business of:

- (a) participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted;
- (b) an Offshore Transmission Owner;
- (c) undertaking carbon capture and storage activities; or
- (d) owning and/or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.

Relevant System Planning Activities

for the purposes of Special Condition 20 (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities) means activities undertaken by the licensee pursuant to:

- (a) standard condition C27 (The Network Options Assessment process and reporting requirements);
- (b) paragraph 4(c) of standard condition C6 (Connection charging methodology);



- (c) paragraphs 3(c), where relevant to Developer-Associated Offshore Wider Works, 5A and 9A of standard condition C8 (Requirement to offer terms);
- (d) standard condition C25 (Provision of information and assistance to the Authority in relation to applications requiring the appointment of an offshore transmission owner), where relevant to Developer-Associated Offshore Wider Works; and
- (e) paragraphs 1(bb), 3(e) and 13(aa) of standard condition C11 (Production of information about the national electricity transmission system).

Relevant System Planning Information

for the purposes of Special Condition 20 (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities) means all Information disclosed to or acquired in any way (and whether directly or indirectly) by the licensee's employees, agents, contractors and advisors solely by virtue of the performance of Relevant System Planning Activities by the licensee, but excluding all Information that is in or has entered the public domain otherwise than as a direct or indirect consequence of any breach of this licence.

Shared Services

for the purposes of Special Condition 20 (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities) means shared corporate services as specified in the compliance statement.

System Operator Functions

for the purposes of Special Condition 20 (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities) means the activities of the licensee pursuant to the obligations under Section C of this licence, for which there are no equivalent obligations under Section D or Section E, of the standard licence conditions contained in an electricity transmission licence.

## **Chapter 2: General Obligations**

**Special Condition 2D. Not used Separation of National Grid  
Electricity Transmission plc and Relevant Offshore Transmission  
Interests**

[Note: we are proposing to delete this condition]

**Special Condition 2E. Not used Appointment and duties of the  
business separation compliance officer**

[Note: we are proposing to delete this condition]

## **Special Condition 2F. Role in respect of the National Electricity Transmission System Operator area located in offshore waters**

### **Part A: Purpose**

1. The purpose of this condition is to ensure that the licensee prepares conduct and performance reports to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission.

### **Part B:**

#### **2-5: Not Used**

### **Part C:**

#### **6-19: Not Used**

### **Part D:**

#### **20: Not Used**

### **Part E: Offshore transmission report**

21. The licensee shall until 31 March 2021, (or such earlier date as the Authority may direct) periodically deliver a report (the “offshore transmission report”) to the Authority containing information relating to the licensee’s activities undertaken pursuant to this licence in respect of that part of the National Electricity Transmission System located in offshore waters in accordance with any direction issued under paragraph 22.
22. The Authority shall, following consultation with the licensee, issue a direction to the licensee as to the form and content of the offshore transmission report and the frequency with which the licensee shall deliver the offshore transmission report to the Authority (being not more frequently than one report in each month).
23. The Authority may review and, following consultation with the licensee, vary any direction issued by the Authority pursuant to paragraph 22 by issuing a further direction to the licensee under paragraph 22 as to the form and content of the offshore transmission report and the frequency with which the licensee shall deliver the offshore transmission report to the Authority (being not more frequent than one report each month).
24. The licensee may request a review of any direction issued by the Authority pursuant to paragraph 22 or a variation to a direction issued by the Authority pursuant to paragraph 22. If, having considered the representations made by the licensee in such a request, the Authority considers that it is appropriate that the form and content of the offshore transmission report and/or the frequency with which the licensee shall deliver the offshore transmission report to the Authority should be varied, the Authority may issue a further direction under paragraph 22 to the licensee varying the form and content of the offshore transmission report and/or the frequency with which the licensee shall be required to deliver the offshore transmission report to the Authority. The Authority may not direct

that the licensee shall deliver the offshore transmission report to it more frequently than once in each month.

25. The offshore transmission report shall be designed to facilitate monitoring and assessment of the conduct and performance of the licensee in relation to:

- (a) the licensee's compliance with this licence in respect of that part of the National Electricity Transmission System operator area located in offshore waters;
- (b) the licensee's performance in respect of that part of the National Electricity Transmission System operator area located in offshore waters in developing and facilitating the development of an efficient, co-ordinated and economical system of electricity transmission; and
- (c) details of any complaints made by interested parties to the licensee in respect of its performance under this licence in respect of that part of the National Electricity Transmission System operator area located in offshore waters and of the actions taken by the licensee to resolve any complaints raised.

26. The licensee shall until 31 March 2021 (or such earlier date as the Authority may direct), provide to the Authority, by 1 December in each year, a certificate signed by the Single Appointed Director ~~Responsible Director for system operation~~ (appointed pursuant to Special Condition 2DO (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities ~~Separation of National Grid Electricity Transmission plc and Relevant Offshore Transmission Interests~~)) certifying that the information in the offshore transmission reports delivered to the Authority in the previous twelve months is fair and accurate.

27. In this condition:

**“interested parties”** includes authorised electricity operators, potential offshore transmission owners, the Crown Estate, Government bodies and institutions with an interest in the development of the National Electricity Transmission System in respect of the parts of the national electricity operator area located in offshore waters.

## Special Condition 2N. Electricity Market Reform

[Proposed new text is marked with a double underscore and proposed deletions with strike through. For clarity we have only included the part of the condition we are proposing to modify.]

### **Part B: Legal and functional separation of National Grid Electricity Transmission plc and Relevant Other Competitive Businesses**

2N.3 Without prejudice to the licensee's obligations under Standard Condition B5 (Prohibition of cross-subsidies), Standard Condition B6 (Restriction on Activity and Financial Ring Fencing), ~~and~~ Special Condition 2C (Prohibited Activities and Conduct of the Transmission Business) and Special Condition 2O (Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities), the licensee shall at all times conduct its activities, including carrying out the EMR Functions, separately from the Relevant Other Competitive Businesses, provided that nothing in Part B of this Special Condition 2N shall prevent the licensee from complying with any Section E (offshore transmission owner of last resort) Direction made pursuant to Standard Condition B18 (Offshore Transmission Owner of Last Resort).

*[We are proposing to delete the following definitions from this condition. Equivalent definitions will be added to special condition 1A.]*

**“Associate”** means:

- (a) ~~an Affiliate or Related Undertaking of the licensee;~~
- (b) ~~an Ultimate Controller (as defined in Standard Condition A1 (Definitions and interpretation)) of the licensee;~~
- (c) ~~a Participating Owner of the licensee; or~~
- (d) ~~a Common Control Company.~~

**“Common Control Company”** means any company, any of whose ultimate controllers (applying the definition in Standard Condition A1 (Definitions and interpretation) but substituting that company for the licensee) is also an ultimate controller of the licensee.

**“Independent Examiner”** means a person or persons nominated by, and independent of, the licensee or any business of the licensee with the skill and knowledge to undertake an evaluation of the practices, procedures and systems implemented by the licensee in order to secure compliance with this condition.

~~“Information” means all information of whatever nature and in whatever form including, without limitation, in writing, orally, electronically and in a visual or machine readable medium including CD ROM, magnetic and digital form.~~

~~“Relevant Other Competitive Business” means the business of:~~

- ~~(a) — participating in, or intending to participate in, a competitive tender exercise to determine a person to whom an offshore transmission licence is to be granted;~~
- ~~(b) — an Offshore Transmission Owner;~~
- ~~(c) — undertaking carbon capture and storage activities; or~~
- ~~(d) — owning and/or operating an entity participating in, or intending to participate in, activities which require a licence under section 6(1)(e) of the Electricity Act 1989.~~



## **Special Condition 2O. Business separation requirements and compliance obligations, and conduct of the System Operator in performing its Relevant System Planning Activities**

### **Introduction**

2O.1 The purpose of this condition is to set out the business separation requirements between the licensee and the Relevant Other Competitive Businesses, the licensee's obligations as to its conduct in performing its Relevant System Planning Activities, and the process the licensee must follow to comply with these obligations.

2O.2 Part A sets out the objectives that the licensee must achieve when undertaking its Relevant System Planning Activities. Part B sets out the business separation requirements between the licensee and the Relevant Other Competitive Businesses. Part C sets out the obligations on the licensee to restrict the use of information that the licensee has access to through its Relevant System Planning Activities. Part D sets out the compliance statement the licensee must publish to describe how it is meeting its specified duties, as defined in paragraph 2O.20. Part E sets out requirements on the licensee to appoint an independent compliance officer and annually report on compliance against the licensee's duties.

### **Part A: Conduct of the licensee when undertaking its Relevant System Planning Activities**

2O.3 In performing its Relevant System Planning Activities, the licensee must act in a manner intended to secure that neither the licensee, nor any Associate of the licensee, obtains an unfair commercial advantage, including any advantage from a preferential or discriminatory arrangement as a result of the licensee carrying out its Relevant System Planning Activities.

### **Part B: Legal and functional separation of the licensee and the Relevant Other Competitive Businesses**

2O.4 The licensee must, in carrying out its licensed activities, put in place and at all times maintain such systems of control and other governance arrangements which are necessary to ensure that the licensee complies with the obligations contained in standard condition B5 (Prohibition of cross-subsidies), standard condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 2C (Prohibited Activities and Conduct of the Transmission Business).

2O.5 Without prejudice to the licensee's obligations under the conditions referred to in paragraph 2O.4 and Special Condition 2N (Electricity Market Reform), the licensee must at all times conduct its licensed activities separately from the Relevant Other Competitive Businesses, provided that nothing in Part B of this condition prevents the

licensee from complying with any Section E (Offshore Transmission Owner of Last Resort) Direction made pursuant to standard condition B18 (Offshore Transmission Owner of Last Resort).

20.6 The licensee must ensure that the Relevant Other Competitive Businesses are conducted entirely by corporate entities which are separate from that of the licensee and the licensee does not, directly or indirectly, hold any shares or other investments:

(a) in any corporate entity which conducts any of the Relevant Other Competitive Businesses or which exercises or otherwise has control of any of the Relevant Other Competitive Businesses or any of the assets used in or dedicated to any of the Relevant Other Competitive Businesses; or

(b) which give the holder an entitlement to vote at the general meetings of any of the corporate entities which conduct the Relevant Other Competitive Businesses or in any company which exercises or otherwise has control of any of the Relevant Other Competitive Businesses.

20.7 The licensee must ensure that its accounts are maintained and to the extent required by law audited and reported separately from those of any corporate entity which conducts Relevant Other Competitive Business.

20.8 The licensee must ensure that persons engaged in the management or operation of the licensee (up to and including the members of the licensee's board of directors ("board")) are not simultaneously engaged, either full or part time, in the management or operation of any Relevant Other Competitive Business or any corporate entity which conducts Relevant Other Competitive Business, other than in the provision of Shared Services provided by the licensee to its Associates and the provision of services which constitute de minimis business (as defined in standard condition B6 (Restriction on Activity and Financial Ring Fencing)) to the extent that:

(a) the provision of those services by the licensee complies with the requirements of standard conditions B5 (Prohibition of cross-subsidies), B6 (Restriction on Activity and Financial Ring Fencing) and B9 (Indebtedness); and

(b) except where the Authority consents or directs, persons engaged in Relevant System Planning Activities are not simultaneously engaged in a de minimis business as defined in standard condition B6 (Restriction on Activity and Financial Ring Fencing).

20.9 The licensee must ensure that arrangements are in place which are effective in restricting access by persons engaged in the management or operation of any of the Relevant Other Competitive Businesses to:

(a) any part of any premises which is occupied by persons engaged in the management or operation of the licensee; or

(b) any equipment, facilities or property employed for the management or operation of the licensee.

2O.10 The licensee must ensure that the systems for the recording, processing or storage of data (including Relevant System Planning Information) to which persons engaged in the management or operation of the licensee have access cannot be accessed by persons engaged in the management or operation of the Relevant Other Competitive Businesses.

### **Part C: Restrictions on the use of Relevant System Planning Information**

2O.11 The licensee must establish and maintain a code of conduct governing the disclosure and use of Relevant System Planning Information. The licensee must set out the code of conduct in the compliance statement, as provided for in paragraph 2O.15.

2O.12 The licensee must ensure that its employees, agents, contractors and advisers ensure that Relevant System Planning Information:

- a) is not directly or indirectly disclosed to, solicited, or used by any person who is not engaged in System Operator Functions (up to and including the members of the licensee's board of directors), other than as provided for in paragraph 2O.13; and
- b) is not directly or indirectly used for activities outwith the System Operator Functions, other than as provided for in paragraph 2O.13.

2O.13 Paragraph 2O.12 shall not apply to the disclosure of Relevant System Planning Information:

- (a) where the licensee is specifically required to do so as a condition of this licence;
- (b) as required under the STC;
- (c) to persons engaged in the provision of Shared Services, to the extent necessary to allow them to carry out their respective functions in support of the Relevant System Planning Activities;
- (d) which is required by any requirement of law or regulation, or the rules of any governmental or regulatory authority having jurisdiction over the licensee; or
- (e) where the licensee has obtained prior written consent for such disclosure from the owner(s) of such Relevant System Planning Information, provided that the extent of such disclosure is consistent with the consent obtained.

2O.14 The licensee must ensure that any Relevant System Planning Information received, disclosure of which would in the view of the owner(s) of the information affect their commercial interests, is treated as confidential. Any disclosure of such information must comply with paragraphs 2O.12 and 2O.13.

## Part D: Compliance statement and compliance documents

2O.15 By no later than 30 days after this condition comes into effect, the licensee must submit to the Authority:

- (a) a statement (“the compliance statement”), describing the practices, procedures and systems by which the licensee will secure compliance with the specified duties, as defined in paragraph 2O.20;
- (b) the proposed form of the compliance report, as provided for in paragraph 2O.27; and
- (c) the proposed form of the compliance certificate, as provided for in paragraph 2O.28(d).

2O.16 On receipt of the documents provided for in paragraph 2O.15, or any revisions of them, as provided for in paragraph 2O.17(b), the Authority will:

- (a) approve the (individual) documents and notify the licensee of each approval; or
- (b) give a direction to the licensee that any of the documents requires further development and the date by which the licensee is required to submit a revision to the Authority for approval.

2O.17 Following the Authority’s approval of the documents provided for in paragraph 2O.15, the licensee must:

- (a) unless the Authority otherwise consents or directs, at all times comply with the terms of the approved compliance statement; and
- (b) at least every 12 months, or at such other interval as the Authority may direct, review these documents and revise them as necessary, including when circumstances change such that the documents no longer secure compliance with the specified duties as defined in paragraph 2O.20, to ensure that they continue to be complete and accurate in all material respects. The licensee must submit any revisions made to these documents to the Authority. Any revisions of these documents will only become effective once the Authority has approved them, in accordance with paragraph 2O.16.

2O.18 The licensee must publish a copy of the approved compliance statement and each revision of it on its website within 15 working days of its approval by the Authority.

2O.19 The compliance statement must in particular (but without prejudice to the generality of paragraph 2O.15) set out how the licensee will meet:

- (a) the objectives in Part A of this condition;
- (b) the business separation requirements provided for in Part B, with specific reference to:

- (i) the arrangements for managerial separation, as required in paragraph 2O.8:
  - (ii) the treatment of Shared Services across the licensee and the Relevant Other Competitive Businesses, together with a list of those services which fall under the definition of Shared Services:
  - (iii) the arrangements to manage the transfer of employees between the licensee and the Relevant Other Competitive Businesses:
- (c) the restrictions on Relevant System Planning Information provided for in Part C:
- (d) the appointment of a compliance officer and compliance reporting, provided for in Part E.

#### **Part E: Appointment of a compliance officer and compliance reporting**

2O.20 The licensee must ensure, following consultation with the Authority, that a competent person (who shall be known as the “compliance officer”) is appointed for the purpose of facilitating compliance by the licensee with the obligations pursuant to this condition, standard condition B5 (Prohibition of Cross-subsidies), standard condition B6 (Restriction on Activity and Financial Ring Fencing) and Special Condition 2C (Prohibited Activities and Conduct of the Transmission Business), together the “specified duties”. The person appointed as the compliance officer pursuant to this paragraph may also hold other compliance officer roles for the licensee or its Associates licensed under the Gas Act 1986.

2O.21 The licensee must appoint a Single Appointed Director, being a member of the managerial board for the System Operator, for the purpose of ensuring the performance of, and overseeing the duties and tasks of, the compliance officer set out in paragraph 2O.26 and the licensee’s compliance with the specified duties. The Single Appointed Director must report to the board of the licensee in relation to the obligations set out in this condition.

2O.22 The licensee must establish a compliance committee (the “compliance committee”), being a sub-committee of the board of the licensee, for the purpose of overseeing and ensuring the performance of the duties and tasks of the compliance officer set out in paragraph 2O.26 and the compliance of the licensee with its specified duties. The compliance committee will report to the board of the licensee and will include among its members the Single Appointed Director and such persons from within the licensee’s business as are responsible for the management of regulatory issues relating to the licence.

2O.23 The licensee must ensure that the compliance officer:

(a) is provided with such employees, premises, equipment, facilities and other resources; and

(b) has such access to the licensee's premises, systems, information and documentation.

as, in each case, the compliance officer might reasonably require for the fulfilment of the duties and tasks assigned to him pursuant to this condition.

2O.24 Except to the extent provided for in paragraph 2O.20, the licensee must ensure that the compliance officer is not engaged in the management or operation of the Transmission Business, any Associate of the licensee or any Relevant Other Competitive Businesses.

2O.25 The licensee must make available to the compliance officer details of any complaint or representation received by it from any person in respect of the conduct of the licensee in undertaking the specified duties.

2O.26 The duties and tasks of the compliance officer must include:

(a) providing advice and information to the licensee (including individual directors of the licensee) and the Single Appointed Director for the purpose of ensuring the licensee's compliance with the specified duties;

(b) monitoring the effectiveness of the practices, procedures and systems adopted by the licensee to ensure its compliance with the specified duties and described in the compliance statement;

(c) advising whether, to the extent that the implementation of such practices, procedures and systems require the co-operation of any other person, they are designed so as reasonably to secure the required co-operation;

(d) investigating any complaint or representation made available to the compliance officer in accordance with paragraph 2O.25;

(e) recommending and advising upon the remedial action which any such investigation has demonstrated to be necessary or desirable;

(f) providing relevant advice and information to the licensee (including individual directors of the licensee) and the compliance committee established under paragraph 2O.22, for the purpose of ensuring its implementation of:

(i) the practices, procedures and systems adopted in accordance with the compliance statement; and

(ii) any remedial action recommended in accordance with sub-paragraph (e);

- (g) reporting to the compliance committee any instances which come to his attention, relating to a member of any of the managerial boards of the licensee, taking into account the interests of a business other than that in respect of which the board of which he is a member of has been established; and
- (h) reporting annually to the compliance committee as to the compliance officer's activities in respect of the specified duties during the period covered by the annual report.

2O.27 As soon as is reasonably practicable and in any event no later than 90 days following each annual report of the compliance officer, the licensee must produce, in a form approved by the Authority in accordance with paragraph 2O.16, a report ("the compliance report"):

- (a) as to its compliance with the specified duties during the period since the last compliance report; and
- (b) as to its implementation of the practices, procedures and systems adopted in accordance with the compliance statement.

2O.28 The compliance report produced in accordance with paragraph 2O.27 must in particular:

- (a) detail the activities of the compliance officer during the relevant period covered by the compliance report;
- (b) refer to such other matters as are or may be appropriate in relation to the implementation of the practices, procedures and systems described in the compliance statement;
- (c) set out the details of any investigations conducted by the compliance officer, including:
  - (i) the number, type and source of the complaints or representations on which such investigations were based;
  - (ii) the outcome of such investigations; and
  - (iii) any remedial action taken by the licensee following such investigations; and
- (d) be accompanied by a certificate ("the compliance certificate"), in a form approved by the Authority in accordance with paragraph 2O.16, approved by a resolution of the board of the licensee and signed in good faith by the Single Appointed Director pursuant to that resolution, on the licensee's compliance with the specified duties. The compliance certificate should certify that, to the best of the Single Appointed Director's knowledge, information and belief,

having made due and careful enquiry, the report of the compliance officer fairly represents the licensee's compliance with the specified duties.

2O.29 The licensee must, as soon as reasonably practicable, following the approval of the compliance certificate by the board of the licensee, and in any event no later than 90 days following each annual report of the compliance officer, submit to the Authority a copy of the compliance report and compliance certificate produced in accordance with paragraphs 2O.27 and 2O.28, and publish copies of each of them on its website.

2O.30 The licensee must, if so directed by the Authority, appoint an Independent Examiner for the purpose of providing a written report to the Authority:

- (a) reviewing the practices, procedures and systems which have been implemented to secure compliance with this condition;
- (b) assessing the appropriateness of such practices, procedures and systems for securing compliance with the licensee's obligations under this condition; and
- (c) reporting on the licensee's compliance with the requirements of this condition.

2O.31 The Independent Examiner's report must be provided to the Authority within three working days of the licensee receiving it from the Independent Examiner.

2O.32 The Independent Examiner's report must be commissioned at such intervals as the Authority may direct.



## **Chapter 6: Annual Iteration Process - Adjustments to the Transmission Network Revenue Restriction**

## **Special Condition 6I. Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure**

[Note: Proposed new text is marked with a double underscore and proposed deletions with strike through. For clarity we have only included the part of the condition we are proposing to modify.]

### **(i) Licensee's notice to the Authority in respect of new Strategic Wider Works Outputs**

6I.36 Where the licensee proposes to request that the Authority specify a new Strategic Wider Works Output then it must give notice to the Authority in such form as the Authority may from time to time require.

6I.37 The licensee must provide notice of such a request in accordance with the timeline set out in Final Proposals and in reasonable timescales for the Authority to conduct its assessment in accordance with the timeline set out in Final Proposals or as amended by the Authority in further guidance it may issue from time to time (or by such alternative date as the Authority may notify to the licensee).

6I.38 A notice under paragraph 6I.36 of this condition must contain:

- (a) a description of the proposed Strategic Wider Works Output and requested Allowed Expenditure for each Relevant Year, including evidence that the proposed output meets the materiality criteria set out by the licensee in the licensee's Network Development Policy in accordance with Part B of Special Condition 6J (Allowed Expenditure for Incremental Wider Works);
- (b) the reasons for the request, including the associated needs case and cost-benefit analysis for the Strategic Wider Works Output and Delivery timescales. This must include all relevant supporting analysis, such as any analysis undertaken by the licensee as part of its Relevant System Planning Activities. In the event of any difference between the needs case and the analysis produced by the licensee as part of its Relevant System Planning Activities, an explanation of the difference and any associated implications must be provided; and
- (c) a planned submission timetable for further information that the licensee considers relevant to the Authority's assessment of the request, taking into account any guidance that may be issued by the Authority for this purpose from time to time.

6I.39 For the purposes of paragraph 6I.38(c) of this condition, relevant information is expected to include, without limitation:

- (a) a specification of the potential risks associated with Delivery and ongoing operation of the proposed Strategic Wider Works Output as well as relevant supporting information on the licensee's risk management strategy and the efficiency of its risk sharing arrangements with consumers;

- (d) a description of the licensee's Delivery plans including a project assessment timeline, project development plans, planning consent details and status, details of the construction program, and a scheduled completion date.
- (e) evidence of efficient costs including information on detailed design works, the licensee's supplier procurement and tender procedures, forecast costs on a year by year basis, and a breakdown of the forecast costs;
- (f) a description of the additional Strategic Wider Works Output in the form set out in Table 3 in Part A of this condition; and
- (g) any other analysis or information that the licensee considers may be relevant to the Authority's consideration of its request.