

**To: National Grid Electricity Transmission plc**

(Company Number: 02366977)

**SP Transmission Ltd**

(Company Number: SC189126)

**Scottish Hydro Electric Transmission plc**

(Company Number: SC213461)

(each a "licensee")

**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 (the licence) held by each of the licensees by modifying the ET1 Price Control Financial Model (PCFM) that forms part of Special Condition 5A (Governance of ET1 Price Control Financial Instruments) ("SC 5A") of the licence as set out in paragraphs 4 and 5.


**Assessment of the effect and impact of the intended modification**

2. The Authority considers that the change set out in paragraph 4 could have a significant impact on National Grid Electricity Transmission plc and any of the other persons referred to in paragraph 5A.4 of SC 5A because it will significantly increase the value of the term SOMOD, calculated under the Annual Iteration Process for the PCFM, that is used in the formula for Maximum SO Internal Revenue for National Grid Electricity Transmission plc as set out in Special Condition 4A (Restriction of System Operator Internal Revenue) of the licence.
3. The Authority considers that the changes set out in paragraph 5 would not be likely to have a significant impact on the licensee and any of the other persons referred to in paragraph 5A.4 of SC 5A because the amendments referred to in paragraph 5 below are minor modelling changes.

**PCFM Modifications**

4. The Authority proposes to update National Grid Electricity Transmission plc's opening levels of allowed expenditure in relation to Enhanced Security Costs by adding £12.6m of SO Data centre capex, so that the values contained in the PCFM are consistent with the Authority's final proposals for the RIIO-ET1 price control.
5. The Authority also proposes to:
  - (a) amend the Tax Trigger worksheet of the PCFM to allow different Tax Trigger Type B event values to be entered for each of the licensees;
  - (b) amend the content of Cell K19 of the Cover worksheet of the PCFM from "Inputs for SHE-T PLC (Blank - not used) TO" to "Inputs for SHE-Transmission PLC TO";
  - (c) amend the content of Cell E174 of the Tax Trigger worksheet of the PCFM from "SHE-T PLC (Blank - not used)" to "SHE-Transmission PLC "; and
  - (d) amend the values in rows 35 and 36 of the NGET SO worksheet of the PCFM to 18.9% and 81.1% respectively for each Relevant Year of the RIIO-ET1 price control period.

6. The Authority's reasons for proposing the modification set out in paragraphs 4 and 5 are:
- (a) in the case of the change set out in paragraph 4, to ensure that the appropriate values for the term SOMOD are calculated for use in the formula for Maximum SO Internal Revenue for National Grid Electricity Transmission plc;
  - (b) in the case of the change set out in subparagraph 5(a), to allow different Tax Trigger Type B event values to be entered for each of the licensees;
  - (c) in the case of the changes set out in subparagraphs 5(b) and 5(c), to apply appropriate labels to rows relating to Tax Trigger inputs for Scottish Hydro Electric Transmission plc; and
  - (d) in the case of the change set out in subparagraph 5(d) to ensure that allowed expenditure values for National Grid Electricity Transmission plc relating to the Electricity Market Reform Enduring Solution are correctly allocated for tax allowance calculations.
7. The proposed modifications to the PCFM are detailed in Appendices 1 and 2 of this Notice, which consist of:
- (a) an Oak report setting out the modifications to the PCFM (Appendix 1); and
  - (b) a copy of the PCFM incorporating the modifications (Appendix 2).
8. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
9. In accordance with section 11A (2) of the Act, the Authority hereby gives notice that it proposes to make modifications to the PCFM of the licensee as set out in paragraphs 4 and 5 of this Notice .
10. Any representations with respect to the proposed modifications to the PCFM must be made on or before 28 August 2015 and addressed to: Gareth Wu, Regulatory Finance Team, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to [gareth.wu@ofgem.gov.uk](mailto:gareth.wu@ofgem.gov.uk).
11. 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.
12. 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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**Ian Rowson**

**Associate Partner, Regulatory Finance and Compliance**

Smarter Grids and Governance

Duly authorised on behalf of the Gas and Electricity Markets Authority

30 July 2015