

To: National Grid Electricity Transmission plc

(Company Number: 02366977)

SP Transmission plc

(Company Number: SC189126)

Scottish Hydro Electric Transmission plc

(Company Number: SC213461)

(each a "licensee")

Modification of the ET1 Price Control Financial Model ("PCFM") of the electricity transmission licence held by the licensees referenced above, granted or treated as granted under Section 6(1)(b) of the Electricity Act 1989 ("Act")

1. Whereas each licensee operates an electricity transmission network and is the holder of an electricity transmission licence (the "licence") granted or treated as granted under Section 6(1)(b) of the Act.
2. In accordance with Section 11A (2) of the Act, the Gas and Electricity Markets Authority ("the Authority") gave notice on 30 July 2015 ("the Notice"), that it proposed to modify the PCFM of each licensee and requiring any representations in respect of the proposed modifications to be made on or before 28 August 2015.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. Prior to the close of the consultation period in respect of the Notice, the Authority received no representations.
5. The Authority gives the following reasons for making the modifications to the PCFM:
 - (a) in the case of the change set out in paragraph 4 of the Notice, to ensure that the appropriate value for the term SOMOD is 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) of the Notice, 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) of the notice, 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) of the notice, 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.
6. The effect of the modifications will be to:
 - increase the value for allowed expenditure in relation to Enhanced Security Costs for National Grid Electricity Transmission plc by £12.6m, bringing it in line

with the Authority's final proposals for the RIIO-ET1 price control, in the case of the change set out in paragraph 4 of the Notice;

- create additional input rows to allow different tax trigger type B event values to be entered for each of the licensees, in the case of the changes set out in sub paragraph 5(a) of the Notice;
- correct labelling errors identified in rows relating to the Tax trigger and cover worksheets for Scottish Hydro Electric Transmission plc, in the case of the changes set out in sub paragraphs 5(b) and (c) of the notice; and
- correct tax allowance allocation percentages relating to the Electricity Market Reform Enduring Solution allowed expenditure, in the case of the changes set out in sub paragraph 5(d) of the notice.

7. Where an application for permission to appeal our 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 Rules¹ 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 1 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

Under the powers set out in Section 11A(1)(a) of the Act, the Authority hereby modifies the PCFM of each licensee in the manner specified in Appendices 1 and 2 which take the form of spreadsheet documents. This decision will take effect on and from 4 November 2015.

This document constitutes notice of reasons for the decision to modify the electricity transmission licence held by each licensee named above, as required by section 49A (2) of the Act.



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Ian Rowson

Associate Partner, Regulatory Finance and Compliance

Duly authorised on behalf of the Gas and Electricity Markets Authority

8 September 2015

¹ 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 CMA.

Schedule 1: Relevant Licence Holders

Each of below listed licensees is the relevant licence holder only in relation to its own licence.

National Grid Electricity Transmission plc

SP Transmission plc

Scottish Hydro Electric Transmission plc

