

To: Scottish Hydro Electric Transmission Plc

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

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

1. Scottish Hydro Electric 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 7 July 2015 (the Notice)¹ that it proposed to modify the following Special Conditions of the Licence:
 - a. Special Condition 1A (Definitions and Interpretation); and
 - b. Special Condition 6I (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure).
3. The Authority required any representations to the proposed modification to be made on or before 4 August 2015.
4. 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.
5. Prior to the close of the consultation period in respect of the Notice, the Authority received four responses. All non-confidential responses have been placed on the Ofgem website (www.ofgem.gov.uk). Our responses to these comments are set out in the accompanying letter.
6. The Authority has carefully considered in relation to the proposed modification all representations received.
7. The reason why the Authority is making these licence modifications is to implement our decision to enhance the role of the System Operator (SO) in planning the electricity transmission network as part of our Integrated Transmission Planning and Regulation (ITPR) project.
8. The reason why the Authority is modifying Special Condition 1A is to include 'Relevant System Planning Activities' as a new defined term.
9. The reason the Authority is modifying Special Condition 6I is to require the Licence Holder to include any analysis undertaken by the System Operator as part of its Relevant System Planning Activities in any Strategic Wider Works needs case submissions.
10. The effect of the modification to Special Condition 1A is the inclusion of the new defined term.

¹https://www.ofgem.gov.uk/sites/default/files/docs/2015/07/modifications_to_the_standard_licence_condition_s-itpr_0.pdf

11. The effect of the modification to Special Condition 6I is the inclusion of the System Operator's analysis in Strategic Wider Works needs case submissions.
12. The modifications are attached in full at Schedule 1 to this Notice.
13. 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 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 2 November 2015.

This document constitutes notice of the reasons for the decision to modify the electricity transmission licences as required by section 49A of the Act.

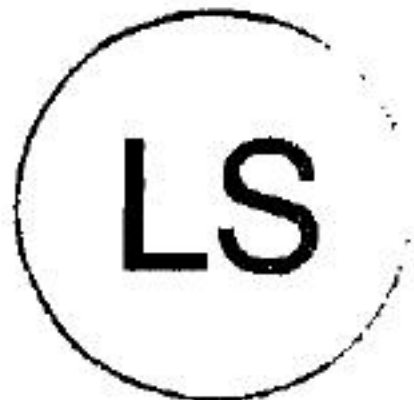
The Official Seal of the Gas and Electricity Markets Authority here affixed is authenticated by the signature of

KERSTI BERGE

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**Kersti Berge
Partner, Transmission
Smarter Grids & Governance
Duly authorised on behalf of the
Gas and Electricity Markets Authority**

3 September 2015



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: Modifications to Scottish Hydro Electric Transmission Plc's
Electricity Transmission Licence**

Special Condition 1A. Definitions and Interpretation	2
Special Condition 6I. Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure	3

Special Condition 1A. Definitions and Interpretation

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

Relevant System Planning Activities

means activities undertaken by the system operator 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).

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

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

[Extract from Part F]

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

6I.35 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.36 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.37 A notice under paragraph 6I.35 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 satisfies the following materiality criteria;
 - (i) total delivery costs will be greater than £50 million; and
 - (ii) the output will deliver cross boundary (or sub boundary) capacity or wider system benefits; and
 - (iii) costs cannot be recovered under any other provision of this licence.

the reasons for the request, including the associated needs case and cost-benefit analysis for the Strategic Wider Works Output and Delivery timescales (this should include all relevant supporting analysis such as any analysis undertaken by the system operator as part of its Relevant System Planning Activities). In the event of any difference between the needs case and the analysis produced by the system operator as part of its Relevant System Planning Activities an explanation of the difference and any associated implications must be provided; and

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.38 For the purposes of paragraph 6I.37(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;

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 programme, and a scheduled completion date.

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;

a description of the additional Strategic Wider Works Output in the form set out in Table 2 in Part A of this condition; and

any other analysis or information that the licensee considers may be relevant to the Authority's consideration of its request.

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>